
ANNUAL REPORT

2008

Mossel Bay Municipality



Mossel Bay Municipality

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

This Annual Report is published in compliance with Section 121 of the Local Government: Municipal Finance Management Act, No 56 of 2003, to provide a record of the activities of the Municipality; to provide a report on performance in service delivery and against the budget; to provide information that supports the revenue and expenditure decisions made, and to promote accountability to the local community for decisions made.

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Vision, Mission and Values

Vision

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

Mission

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

Values

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.

CHAPTER ONE

INTRODUCTION AND OVERVIEW

Mayoral Overview

It is again my privilege to present the Annual Report of the Municipality of Mossel Bay; the third of my term of office and the second full report since this Council were elected in March 2006.

In last year's report I referred to the floor-crossing period in September 2007 and the more stable political situation that its outcome was expected to bring to the Town Council of Mossel Bay. I am pleased to report that this was indeed the case and that we can look back on a period of generally more constructive engagement between the political parties represented in Council.

I also said that the anticipated scrapping of the so-called floor-crossing act is to be welcomed in the interest of the protection of mandates given by the electorate to politicians. This, of course, also materialised and is to be welcomed, as it will contribute to greater stability at local government level.



ALDERLADY MARIE FERREIRA

The Municipality of Mossel Bay maintained its proud position as one of the financially healthiest and best-managed Municipalities in South Africa.

I am extremely proud to state that the Municipality received an unqualified audit report for the 2007/2008 financial year from the Auditor-General. This is undoubtedly the result of continued responsible governance, excellent financial controls and the concerted efforts of Councillors and personnel alike.

The Annual Financial Statements for the 2007/2008 financial year may raise eyebrows because of the apparent excessive increases in, for example, the accumulated surplus. These were, however, the result of changed accounting practices imposed on the Municipality through the implementation of the Generally Recognised Accounting Practices (GRAP) and the Generally Accepted Municipal Accounting Practices (GAMAP).

These accounting practices necessitated the capitalisation of assets at market values, which obviously increased the accumulated surplus account of Council.

Chapter 5 of this Annual Report contains detailed reports on the Municipality's achievements and activities in the year under review but I would like to highlight the following:

- ❖ The Municipality ended the financial year in a financially sound and viable position with an amount of R203,5 million available in cash. This compared to R185,9 million at the end of the 2006/2007 financial year.
- ❖ The balance of the Capital Replacement Reserve, the cash-backed reserve established for the financing of future capital expenditure, amounted to R101 854 884 at 30 June 2008, compared to R68 152 445 at the end of the previous financial year.

- ❖ Although higher than the amount of R2 389 101 at the end of 2007, outstanding external loans of R4 723 276 as at 30 June 2008 remained low in relation to the Municipality's overall cash position.
- ❖ A total of 35 electrical capital projects were completed successfully in all areas. These included the upgrading of the medium voltage and low voltage networks to cater for load growth and to improve the quality of supplies to various customers. Altogether 1 163 new electrical connections were made, thereby increasing the customer base to 29 583 customers.

Approximately 1 600 informal houses in unproclaimed areas were not yet electrified at the end of the 2007/2008 financial year. Most of these backlogs will be addressed with the construction of the low-income housing in Joe Slovo, Asazani/Izinyoka and Elangeni residential areas.

Free basic supply of electricity increased by 22,8 per cent from 5 739 800 units in 2006/2007 to 7 049 800 units in 2007/2008. The cost in this regard to the Municipality increased by 21,34 per cent from R2 514 032 to R3 050 567.

- ❖ Good progress was made with the repair of infrastructure damaged in the 2006 floods. The construction work at the Glentana restaurant area was completed in December 2007. This project had to be carried over from the previous financial year and needed another R6 million to complete.
- ❖ The road resealing programme, which I believe makes Mossel Bay one of the leading Municipalities in South Africa in terms of infrastructure maintenance, progressed well. A total of 38,4 km streets were resealed at a cost of R8 million, while a further 47,25 km is scheduled to be resealed at a total cost of R10 million during the 2008/2009 financial year.
- ❖ The critical project to increase the capacity of the Little Brak River water purification plant remains on schedule. The enlarged plant will provide the Municipality with sufficient water purification capacity for at least ten years when it is completed in the 2009/2010 financial year.
- ❖ Our innovative entrepreneurs programme, which commenced in 2006, has grown from 25 entrepreneurs and 125 jobs in total to 41 entrepreneurs and 265 jobs in the year under review. The impact of this programme is already to be seen in the form of a cleaner environment and which has elicited favourable comments by residents and visitors alike.
- ❖ Poverty relief continued to receive attention and debts of R17 987 332 were written off to provide relief to indigent and other less privileged households. Subsidies amounting to R17 211 669 were also paid to qualifying indigent and poor households.

The Municipality's stable and competent workforce remains a big asset and good progress was made during the year to fill the fairly large amount of vacancies reported last year. Eighty per cent of the approximately 100 vacant positions were filled thanks to a concerted effort that saw selection committee meetings being held almost every Friday.

The upgrading of the Municipality from a Grade 9 to a Grade 10 Municipality also had the desired effect in terms of attracting good quality candidates in most positions. The salary increases that accompanied the upgrading improved the morale of the existing employees.

We unfortunately again had problems in settling our top structure. The position of Director of Civil Services remained vacant for most of the financial year as the candidate appointed to fill the vacancy reneged on his agreement with Council.

The recruitment process therefore had to be repeated but I am pleased to say that a capable and experienced person was found in the person of Mr Pieter Viviers who assumed duty on 1 July 2008 as head of this important department.

Mr Keith Nicol, Municipal Manager, resigned in June 2008. Council was, however, fortunate in that it could rely on the experience of Councillor Carel du Plessis who resigned from Council to take up the position in an acting capacity until a new appointment could be made.

However, the task of finding a suitable replacement has proved to be more difficult than anticipated and Council has not yet been able to fill the position. The correlation between Council's term of office and the contract period it is consequently able to offer to a municipal manager appears to be a contributory factor.

Council approved the expansion of the top structure to include a Directorate for Town and Regional Planning and Urban Control with a view to improving service delivery in this important area. Mr Charl Möller, a former Director of Civil Services of the Municipality, rejoined the Municipality as head of this Directorate.

The Municipality took an important step towards local economic development and drawing more people into the main stream when it introduced its economic charter to local role players in August 2008. A Steering Committee was also elected for the implementation of the Municipality's Local Economic Development (LED) strategy.

The decline in property development activities in Mossel Bay, in line with the decline in the national economy, was evident. Buildings with a total value of R707 033 500 were nevertheless completed in 2007/2008, compared to R686 million the previous year.

A tender was awarded to the Shoprite Checkers group for the establishment of a shopping complex in the KwaNonqaba / Asla Park area to bring shopping facilities much closer to these previously disadvantaged areas. This transaction is in line with Council's strategy to alienate land, which it does not need for basic service delivery purposes, for the benefit of the community.

The price of R11,6 million achieved for this property of 3,0175 ha well exceeded Council's expectations. Although construction can only commence upon the finalisation of certain administrative procedures, the estimated completion date of the project is March 2010.

The tender for the long awaited middle-income housing project was awarded and although this is a complicated project, we are confident that construction will commence in 2009.

Council, on the other hand, decided not to proceed with the controversial project to redevelop the Santos and De Bakke caravan parks and chalet properties. According to legal opinion that was obtained the contract was invalid and Council consequently informed the development facilitator that it no longer considered itself bound by the contract.

The D'Almeida/KwaNonqaba bathroom project and the relocation of the Powertown community did not materialise during the year as approvals were delayed. It is hoped that the approvals will be received in the 2008/2009 financial year as the projects are long overdue and will undoubtedly improve the quality of life of the affected people.

Work to upgrade and restore the Harry Giddey Park to its former glory continues and we trust that it will again become the asset it used to be.

Council is also very aware of the potential benefits that the 2010 FIFA World Cup Tournament could have for Mossel Bay, and is doing what it can to ensure that Mossel Bay gets a slice of the cake as well. Council has accordingly set aside a budget of R550 000 for this purpose and appointed a competent person to drive the project on its behalf.

The Municipality has joined the Eden District regional strategy to promote and market the area as a World Cup destination and Mossel Bay has been recommended to the provincial authorities to house a public viewing area for up to 20 000 people.

The provincial authorities will finance these areas, at which the public will be able to view matches on big screens.

I have in previous years referred to the pressure on Mossel Bay's infrastructure because of the fast economic growth as well as the town's continued popularity as a holiday destination.

The bottleneck on Louis Fourie Road between the Bayview and Da Nova intersections was highlighted again as a specific concern and it is a disappointment that not much progress could be made with the provincial road authorities for the widening of this section of road.

It is hoped that the provincial authorities, under whom this stretch of road resorts, will now treat this as a matter of urgency and resolve the long outstanding problem.

Mossel Bay is of course not free of national problems such as unemployment, poverty and health and social problems such as AIDS, TB, and crime and drug abuse. These still affect too many people in our community and although the Municipality's resources to address these issues are scarce, Council will continue to do whatever it can and what is within its powers to address them in the remainder of the current financial year.

I would like to conclude by thanking my fellow Councillors as well as the management and employees of the Municipality for their hard work and support that ensured another successful year in Mossel Bay's history.

The international economic meltdown as well as the forthcoming general elections in 2009 will obviously have an impact but I remain confident that Council and our employees will again be up to whatever challenges come our way.



MARIE FERREIRA
EXECUTIVE MAYOR

Municipal Manager's Overview

The Municipality of Mossel Bay has over the past few years established itself as one of South Africa's healthiest and most stable municipalities, which makes annual reporting over its affairs both a pleasure and a privilege. The highlights of the 2007/2008 financial year far outweighed the disappointments, which were minimal.

Although the local economy, particularly the property development and construction sectors, slowed down in line with the national economy, Mossel Bay remains a fast-growing town. This inevitably subjected the Municipality, still hampered by the critical staff shortages reported in the previous year, to high expectations in terms of service delivery.

I am therefore pleased to be able to report that the Municipality once again performed admirably thanks to the dedication and perseverance of the majority of our people.

The Municipality continues to be distinguished by its healthy financial position and excellent financial management. As will be noted in Chapter 5 of this Annual Report, the Municipality ended the 2007/2008 financial year with an amount of R203,5 million available in cash and a Capital Replacement Reserve fund of R101,8 million. It remained within budget, and with the exception of expenditure on housing where it is dependent on the Housing Fund for funds, spent its capital budget almost fully. This is an improvement over the underspending of the previous year.

The general property evaluation, necessitated by the Municipal Property Rates Act, was completed on schedule and for implementation with effect from 1 July 2008. A total of 37 300 properties, including 1 654 farms and smallholdings and 3 500 sectional title properties were evaluated. Altogether 1 200 objections and 102 appeals were also dealt with.

The new market-related valuations form the basis for municipal taxes with effect from 1 July 2008. Although this resulted in much conjecture about the impact on property rates, Council structured the 2008/2009 property rates in a way that has softened the impact on property owners.

The valuation of municipal assets as required in terms of GAMAP was completed successfully, two years ahead of schedule.

The transfer of the Municipality's banking business from Absa to Nedbank also proceeded smoothly. Nedbank won the tender to provide banking services to the Municipality for the next five years, following a proper bidding procedure in terms of the Municipal Finance Management Act.

The two technical departments again had a very difficult year in terms of their personnel position and lost key and experienced personnel through resignations as well as the death of Mr Duppie van Zyl, a senior official in the Electrotechnical Services department.

The position of Director of Civil Services remained vacant for most of the year when the person who accepted the appointment delayed his service commencement date and eventually withdrew. The process to find another candidate for this key position had to start all over again but the position was filled in July 2008.

The recruitment of professional personnel such as engineers, town planners, artisans and other technical personnel continued to be problematic because of the adverse competitive position of local government vis-à-vis the private sector for these scarce skills.

These departments have again demonstrated their dedication and perseverance under difficult circumstances by executing the Municipality's capital expenditure programme for 2007/2008 successfully.

Streetlights were installed in the rural areas of Brandwacht and Ruiterbos, while electrical upgrading and maintenance projects were carried out right through the Mossel Bay Municipal area. The R3,5-million Sorskynvallei sub-station project was unfortunately delayed by the failure of the supplier to deliver a transformer according to schedule. The project could therefore not be completed in the year under review.

In addition to several smaller projects to upgrade pavements, streets, storm water, sewerage and water supply systems the Civil Services Directorate either completed or remained on schedule with several major projects.

The first phases of the R59-million project to enlarge the Little Brak River water purification plant from a 30-megalitre plant to a 45-megalitre plant were completed during the year under review. The project is scheduled for completion in the 2009/2010 financial year.

A total of 38,4 kilometres, or 103 707 square metres, of streets in Mossel Bay was resealed at a cost of R8 008 545. The positive effect of this on Mossel Bay's road infrastructure is significant. This important programme will be continued in the 2008/2009 financial year and R10 million has been included in the budget for this purpose.

Work to repair and upgrade the restaurant parking area in Glentana as well as the road and storm water system there, which were severely damaged by floods in 2006, was completed in April 2008 at a cost of R13 million.

Good progress was made with the improvement of the Hoogekraal storm water system to slow the flow of storm water down and prevent erosion as well damage to property and municipal infrastructure in the area. A further R4 million will be spent on this project in the 2008/2009 financial year.

The storm water system in Gleniqua Drive was also upgraded at a cost of R2,6 million.

The Municipality did better than expected with the sale of a property in KwaNonqaba on which a new shopping centre will be built. The property, which was the first commercial property to be sold by tender since the present Mossel Bay Municipality was established in 2008 and a land audit was completed in 2006, fetched R11,6 million. It is clear that much more value can be unlocked from the sale of properties that are not required for basic service delivery.

A major development was the decision by Council not to proceed with the controversial development of any of the prime beachfront properties, which were included in the development facilitation contract concluded with the AttPower joint venture in 2003. This decision was based inter alia on legal opinion that the contract is invalid and Council accordingly no longer felt bound by it.

A short-listing process of tenderers that could be invited to submit tenders for the middle-income housing project was completed. The tenders were invited in June 2008 and an award is to be made by the end of 2008. This project will address the critical housing shortage for people who do not qualify for subsidised housing and cannot afford commercially available land in Mossel Bay.

The D'Almeida/KwaNonqaba bathroom project and the relocation of the Powertown community did not materialise during the year as approvals at Provincial level were delayed. It is hoped that the approvals will be received in the 2008/2009 financial year, as the projects are long overdue and will undoubtedly improve the quality of life of the affected people.

Functional issues also received attention and a highlight in this regard was the Batho Pele workshops presented to all personnel as part of a programme to improve service delivery. It is hoped that the programme has laid the foundations for a general change in the mindset of employees that will take service delivery to new levels in the 2008/2009 financial year.

Recruitment was stepped up in the year under review and many of the vacant positions were filled. The number of vacancies, however, remains high and this will continue to place existing personnel under pressure in the new financial year. The recruitment procedures of the Municipality are unfortunately cumbersome and the streamlining of these should receive attention.

Staff accommodation is another matter, which requires serious attention in the new year. Apart from regional offices, personnel are accommodated in six buildings, some of them up to eight kilometres away from the main building. In almost all cases, travelling is required to and back from the main building, and this inevitably affects productivity.

Despite the mainly personnel-related problems, which I mentioned above, I believe that the overall quality and skills of our staff are such that they can cope and indeed are prepared to take on the challenges that come their way. I am therefore optimistic that another good year lies ahead and confident that the Mossel Bay Municipality will retain its status as a leading municipality.

In conclusion, this is also my final annual report as Municipal Manager of Mossel Bay as I have resigned for personal reasons.

I would like to thank the Executive Mayor, Alderlady Marie Ferreira, the Mayoral Committee and Councillors and the management and personnel of the Municipality for their support and contribution during the past financial year.

Please accept my very best wishes as well as God's richest blessings for the future.

KEITH NICOL
MUNICIPAL MANAGER

Note: Mr Nicol resigned as Municipal Manager in June 2008.

General Information

MAYORAL COMMITTEE

Alderlady M Ferreira	:	Executive Mayor
Councillor H Levendal	:	Executive Deputy Mayor and Chairperson, Community Services Committee.
Clr Ms E Domingo	:	Chairperson, Corporate Services Committee.
Clr J van der Merwe	:	Chairperson, Financial Services Committee.
Alderman E Scheepers	:	Chairperson, Technical Services Committee.

Speaker

Alderman N Lodewyks

WARD COUNCILLORS

WARD	COUNCILLOR	WARD	COUNCILLOR
1	Clr R Skombingo (ANC).	2	Clr S A Maphisa (ANC).
3	Clr Ms N E Bobotyana (ANC).	4	Clr B Jacobs (ANC).
5	Clr J J Gerber (DA).	6	Alderman E Scheepers (DA).
7	Clr J van der Merwe (DA).	8	Alderman N Lodewyks (DA).
9	Clr R Damons (Independent).	10	Clr K Booyens (DA).
11	Clr P A du Plessis (DA).	12	Clr W Buda (ANC).

PROPORTIONAL REPRESENTATIVE COUNCILLORS

Clr Ms M de Klerk (ANC).	Clr Ms E Domingo (DA).
Clr Dr C du Plessis (DA).	Alderlady M Ferreira (DA).
Clr H Floors (DA).	Clr Ms N Giles (ACDP).
Clr O Kumalo (DA).	Clr H Levendal (DA).
Clr Ms N Lichaba (ANC).	Clr S Manuel (OD).
Clr Ms S Moodie (DA).	

ADMINISTRATIVE

Acting Municipal Manager*

Dr C P du Plessis, B Juris, LL B, MPA, D Phil.

Chief Financial Officer

H F Botha, B Com, AIMFO.

Registered Municipal Accountant (Associate) in terms of Act No 21 of 1988.

Director: Civil Services*

P Viviers, Pr Eng, B Eng (Civil)

Director: Community Services

C Puren, CPE, IVB3, BML1.

Director: Corporate Services

E Jantjies, B Econ, HDE, LIMFO.

Registered Municipal Accountant (LISS) in terms of Act No 21 of 1988.

Director: Electrical Services

D Naidoo

Certificated Professional Engineer.

Director: Town and Regional Planning and Building Control*

C Möller, Pr Eng, B Eng (Civil), ND Financial Planning.

Grading of Local Authority

Grade 3.

Auditors

Auditor-General.

Bank

Nedbank.

Registered Office

Civic Centre
101 Marsh Street
Mossel Bay
6506

PO Box 25
Mossel Bay
6500

Telephone: (044) 606-5000
Facsimile: (044) 606-5062
E-mail:
admin@mosselbaymun.co.za

Website

<http://www.mosselbaymun.co.za>

(* Although this report is for the 2007/2008 financial year, the information above reflects the current situation. Appointments marked with an asterisk were made after 30 June 2008).

Mossel Bay Profile

The following provides a broad geographical, economical and statistical profile of Mossel Bay:

- **Towns and settlements within the municipal boundaries**
Boggomsbaai, Brandwag, Buisplaas, D'Almeida, Dana Bay, Glentana, Great Brak River, Friemersheim, Hartenbos, Herbertsdale, Hersham, Joe Slovo Village, KwaNonqaba, Little Brak River, Mossel Bay, Outeniqua Beach, Rheeboek, Ruiterbos, Southern Cross, Tergniet, Vleesbaai.
- **Municipal Demarcation Code:** WC043.
- **Location of Head Office:** 101 Marsh Street, Mossel Bay.
- **Neighbouring Towns:** George (66km east); Riversdale (77km west); Albertinia (50km west); Oudtshoorn (96 km north).
- **Municipal Area:** 2007 sq km.
- **District Municipality:** Eden (George).
- **Municipal Budget:** 2008/2009 Operating Budget: R431,3 million.
2008/2009 Capital Budget: R97,1 million.
- **Population:** 109 612*.
- **Educational Institutions:** South Cape Technical College - Mossel Bay Campus; Five Secondary Schools; 21 Primary Schools; Various private educational institutions.
- **Medical Facilities:** Bayview Private Hospital; Mossel Bay Provincial Hospital; District Municipal Health Services.
- **Police Stations:** Da Gamaskop, Great Brak River, Herbertsdale, KwaNonqaba, Mossel Bay.
- **Law Court:** Mossel Bay.
- **Port:** Mossel Bay.
- **Prison:** Mossel Bay Correctional Centre for the Youth.
- **Main Economic Activities:** Agriculture (aloes, cattle, citrus, dairy, ostriches, sheep, timber, vegetables and wine), Fishing, Light Industry, Petrochemicals, Tourism.

(* Estimated. 2001 Census = 71 492 (last official census) : African 22,7%, Coloured 48,5%, Indian 0,4%, White 28,5%.

CHAPTER 2

GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

2.1 Governance

The Municipality of Mossel Bay (WC043) is divided into twelve wards, and the Town Council have 23 seats. Twelve of these are for ward representatives and 11 for the proportional representatives.

The Council has an Executive Mayor as well as Executive Councillors, and conducts its affairs through a committee system.

The following is a graphic illustration of Council's present executive structure that was implemented following the Municipal Elections that were held in 2006:



As will be seen from the above, the Executive Deputy Mayor is also the Chairperson of the Community Services Committee.

The Democratic Alliance (DA) at present has 13 seats in Council, the African National Congress (ANC) 7 and the African Christian Democratic Party (ACDP) and the Independent Democrats one each. One seat is held by an independent.

The composition of Council changed in September 2007 from 10 for the Democratic Alliance, 8 for the ANC, 3 for the Independent Civics Organisation of South Africa (ICOSA) and one each for the ACDP and the ID.

Four routine Council meetings are held annually, while Special Council meetings are held when the need arises.

An Executive Mayoral meeting as well as Standing Committee meetings are held monthly, except when Council is in recess.

2.2 Intergovernmental Relations

The Municipality of Mossel Bay is located in the Eden District municipal area. As such, it has three representatives, one each from the DA, the ACDP and the ANC, serving on the Eden District Council.

The Executive Mayor and the Municipal Manager participate in the District Co-ordinating Forum and the Speaker in the District Speakers Forum. The Municipal Manager is a member of the Municipal Managers Forum. Specialists serve on the various specialist forums established in the district.

These activities allow for close interaction with other Municipalities in the Eden District municipal area, and therefore also the fostering of constructive relationships with these Municipalities.

The Executive Mayor and the Municipal Manager attend the Provincial Advisory Forum (PAF), a Forum chaired by the Provincial Minister of Local Government. This Forum meets approximately quarterly for reporting and monitoring purposes as well as the discussion of common problems and issues.

The Municipal Manager attends the Provincial Advisory Forum Technical (PAFTech) meeting, which is chaired by the Head of Department of the Department of Local Government and Housing.

This Forum meets approximately every second month, and provides a mechanism for Municipal Managers and provincial officials for the discussion of common issues and the updating of the Municipalities on various Governmental issues that might affect them.

The Speaker is a member of the Provincial Speakers Forum, while officials of the Municipality participate in the various Provincial specialist forums that exist.

The Municipality is a member of the South African Local Government Association (SALGA), and Councillors of Mossel Bay serve in each of the SALGA working groups (Economic Development, Social Development, Municipal Services, Human Resources Management, Governance and Intergovernmental Relations and Municipal Finance).

The SALGA working groups were established to develop policies, strategies and programmes to address local government issues, to facilitate co-operative governance between the spheres of Government as well as to facilitate consultation, co-ordination and participative decision-making between SALGA and its provincial and municipal members.

2.3 Public Participation

The Municipality places much emphasis on public participation and has put several structures and programmes in place for this purpose.

The Ward Committee system, which has been implemented successfully in 10 of the 12 wards, plays in an important role in this.

The system has proved to be particularly useful this year in the public participation process for the development of the Municipality's Integrated Development Plan (IDP). More people than ever before attended the IDP meetings in the different wards.

Councillors and Ward Committee members underwent training under the auspices of the Nelson Mandela Metropolitan University's Institute of Sustainable Government and Development. Councillors and Ward Committee members agreed that the training was very useful.

Two officials attended a workshop from 22 to 24 May 2008 in Caledon on the National Policy Framework for Public Participation.

The workshop was presented by academics from the University of KwaZulu Natal and although regarded as somewhat premature as the framework is not official yet it emphasised the importance of public participation and the role of Ward Committees in this regard.

The Municipality has in the past year also engaged the youth on youth matters as well as on local economic development. A Youth Co-ordinator was appointed and she arranged several events in which the youth participated.

The community was also engaged formally in the development of an implementation plan for the Municipality's local economic development strategy.

This included a community workshop and the establishment of a 33-member Steering Committee consisting of representatives from various stakeholder groups across the local economic spectrum.

Plans have been put into place to strengthen public participation process of the Municipality in the 2008/2009 financial year.

CHAPTER 3

SERVICE DELIVERY

1. Key Municipal Services

The Municipality of Mossel Bay renders a range of traditional municipal services in an area covering 2007 square kilometres.

The area includes rural and residential areas such as Boggomsbaai, Brandwag, Buisplaas, D'Almeida, Dana Bay, Friemersheim, Great Brak River, Joe Slovo Village, KwaNonqaba, Little Brak River, Fraaiuitsig, Glentana, Hartenbos, Herbertsdale, Hersham, Mossel Bay, Outeniqua Beach, Rheeboek, Fraaiuitsig, Tergniet, Ruiterbos, Southern Cross and Vleesbaai.

The current main services rendered by the Municipality are:

- **Electricity**

In 2007/2008 electricity was supplied to 29 583 consumers, an increase of 1 163 over the previous year.

The Municipality does not generate its own electricity and the national electricity supplier, Eskom, supplies the electricity to the Municipality for resale to consumers in the municipal area.

Units purchased from Eskom increased by 2,05 per cent from 296 380 375 units in 2006/2007 to 303 107 413 in 2007/2008.

- **Water**

The Municipality owns and maintains a water distribution network consisting of pipelines and storage dams. The main municipal storage dam is the Ernest Robertson Dam. Water is also drawn from the Department of Water Affairs' Klipheuwel and Wolwedans Dams.

- **Sewerage**

The Municipality owns and maintains a sewage disposal network as well as processing plants. The majority of households in Mossel Bay are serviced by a water-borne, flush sanitation system.

- **Environmental Health**

The Mossel Bay Municipality provides cleansing services, mainly in the form of refuse removal, as well as environmental health services in addition to those provided by the Eden District Municipality.

- **Fire, Rescue and Safety Services**

The Municipality owns and operates a fire and rescue service which provides fire fighting, fire prevention and road and other rescue services. Its community safety service provides a range of law enforcement and community protection services.

- **Roads**

The Municipality is responsible for the planning, construction and maintenance of urban road networks.

A network of 396,9 km of paved and concrete roads and 27 km of gravel roads currently falls under the Municipality. Gravel roads decreased to 10 km during the 2007/2008 financial year.

The national and main regional roads fall under the relevant authorities, and the Eden District Municipality is responsible for rural public roads within the Municipal area.

- **Housing**

The Municipality seeks to address the housing needs of low-income groups and middle-income groups who do not have access to the commercial bond market. In this regard it acts as an agent for the Department of Housing.

This involves the identification of potential beneficiaries, identification and securing of suitable land for housing development, the sourcing of funding and project management.

At the end of June 2008 there was a waiting list of approximately 10 500 families waiting for houses, an increase of 2 500 compared to the previous year.

- **Libraries**

There are eleven libraries, including a mobile library, in the Mossel Bay municipal area.

They are managed on an agency basis for the Provincial Government of the Western Cape and play a major role in the education of the community.

- **Urban Development and Control**

In addition to doing its own spatial development planning and exercising control over development and building activities, an information service is provided to property owners and developers.

- **Vehicle Services**

The Municipality provides registration services as well as the issuing of drivers licences in its area of jurisdiction. Some of these services are rendered on an agency basis.

2. Performance Indicators

The following are some of the performance indicators of the Municipality for the 2007/08 financial year, with comparisons with previous years where possible:

1. Financial Viability

1.1 Performance against budgets

Financial Year	Revenue				Operating Expenditure			
	Budget R'000	Actual R'000	Difference R'000	Deviation %	Budget R'000	Actual R'000	Difference R'000	Deviation %
06/07	380 513	372 091	(8 422)	(2,2%)	379 845	353 749	(26 096)	(6,9%)
07/08	481 605	396 087	(85 518)	(17,8%)	478 461	352 318	(126 142)	(26,4%)

The reason why the operating expenditure indicates that the budget was under spent by R126 million is because items that were budgeted for in the Statement of Financial Performance were transferred through the Statement of Changes in Net Assets, as follows:

- Capital grants of R30 017 771.
- Capital Replacement Reserve of R78 628 340.
- Transferred land sales R15 000 000.
- Transferred external services R10 000 000.

The reason why the operating revenue indicates an under collection of R85,5 million is due to the following:

- R36 280 000 claimed for flood damages during the 2007/2008 year included in budget, but not yet received,
- An amount of R63 312 476 was budgeted for in the Statement of Financial Performance for contribution from the Surplus Account and R14 806 420 for contribution from Land Sales, which was transferred through the Statement of Changes in Net Assets.

1.2 Gross outstanding consumer debtors per service (excluding provisions for bad debt)

Financial Year	Rates R'000	Trading Services (Electricity & Water) R'000	Economic Services (Sewerage & Refuse) R'000	Housing Rentals R'000	Other R'000	Total R'000
06/07	7 256	27 952	26 167	440	4 628	66 444
07/08	6 110	22 668	22 751	309	3 422	55 260
Difference	(1 146)	(5 284)	(3 416)	(132)	(1 206)	(11 184)

% Growth Year on Year	(15,8%)	(18,9%)	(13,1%)	(30%)	(26,1%)	(16,8%)
------------------------------	---------	---------	---------	-------	---------	---------

The decrease in consumer debtors from 2006/07 to 2007/08 was due to bad debts to the amount of R19 350 078 that were written off during the 2007/08 financial year. The income section initiated a process of identifying debts that cannot be recovered. These debts are then considered for writing off.

1.3 Total Debtors Age Analysis:

Financial Year	Debtor Age Analysis				
	Less than 30 days R'000	Between 30-60 days R'000	Between 60-90 days R'000	More than 90 days R'000	Total R'000
06/07	20 805	1 929	1 722	41 988	66 444
07/08	18 300	1 867	1 307	33 786	55 260
Difference	(2 505)	(62)	(415)	(8 202)	(11 184)
% Growth year-on-year	(12%)	(3,2%)	(24,1%)	(19,5%)	(16,8%)

1.4 Staff cost as % total operating expenditure (excluding Councillor allowances):

Financial Year	Total Expenditure salary and allowances (R'000)	Total Expenditure (R'000)	Percentage (%)
06/07	144 396	353 749	40,8%
07/08	101 581	352 318	28,8%

During the 2006/07 financial year, the Municipality changed its accounting policy for the provision of employee defined-benefit obligations in order to comply with the requirements of IAS19.

The change in accounting policy resulted in the inclusion of an amount of R61 113 097 in employee-related costs for 2006/07. If this amount is excluded from total salaries, the percentage will be 24 per cent.

1.5 Level of reliance on grants and subsidies:

Financial Year	Total grants and subsidies received (R'000)	Total Operating Revenue (R'000)	Percentage (%)
06/07	48 903	372 091	13,1%
07/08	44 078	396 088	11,9%

These figures show that the Municipality is less dependent on grants and subsidies than before. Capital and operational grants are included in the above-mentioned figures.

1.6 Liquidity Ratio:

Financial Year	Nett current assets (R'000)	Nett current Liabilities (R'000)	Percentage (%)
05/06	206 604	55 255	3.7 : 1
06/07	260 060	83 042	3.1 : 1
07/08	263 783	53 432	4.9 : 1

This shows that the liquidity position of the Municipality has improved substantially.

2. Capital Budget Expenditure per Service Area

Financial Year	Housing	Water	Sanitation	Refuse Removal	Streets & Storm Water	Community Facilities	Electricity
06/07	8,7%	21,2%	6,1%	0%	22,2%	4,9%	11,7%
07/08	10,1%	31,9%	7,2%	1,8%	29,1%	5%	10,4%

During the 2007/08 financial year, the Municipality continued the spending on allocations carried forward for water and streets and storm water to repair flood damages that occurred during the previous financial year.

3. Percentage of Capital Budget Spent

Financial Year	% of Capital Budget Spent	Reasons for Underspending
06/07	77,4 %	ROD's issued late. MIG funds received late in the financial year. Due to external factors, eg water tank that could not be delivered by private company on time.
07/08	83,2 %	Rollovers to 2008/09 financial year and housing top structures expensed and not part of the original Capital Budget.

4. Municipal Infrastructure Grant (MIG)

Financial Year	Available Funding (R'000)	Amount Spent (R'000)	% Spent
06/07	5 750 000	5 750 000	100%
07/08	12 127 500	10 347 540	85%

5. Financial Policies

Several new financial policies were implemented in the year under review. The table below shows the financial policies of the Municipality:

Policy	Approved by Council	Implemented
Tariff Policy	15/05/2008	01/07/2008
Credit Control Policy	15/05/2008	01/07/2008
Indigent Policy	15/05/2008	01/07/2008
SCM Policy	01/09/2005	1/10/2005
Valuation Policy	15/05/2008	01/07/2008
Investment Policy	15/05/2008	01/07/2008
Asset Management Policy	09/01/2007	09/01/2007
Financial Management Policy	29/05/2005	01/07/2005

6. ***Provision of Free Basic Services***

6.1 Free Electricity

	2006/2007	2007/2008
Number of indigent households	5 176	6 054
Number of non-indigent households	31 027	30 469
Unit per household (in applicable unit where relevant):		
Indigent	50 kWh electricity	50 kWh electricity
Non-indigent	20 kWh electricity	20 kWh electricity
Rand value (total)	R1 276 401,60	R1 584 289,64
Spending priorities in % of budget allocated	10%	11%

6.2 Free Water

All households receive 6 kilolitres of free water per month.

7. ***Governance***

7.1 Municipal Meetings

The following meetings, excluding operational and sub-committee meetings, took place during the 2007/2008 financial year:

Meeting	2006/07	2007/08
Council	4	4
Executive Mayoral Committee	10	10
Standing Committees	40	40

8. ***Audit Committee***

An Audit Committee consisting of diverse skilled members has been appointed and meets quarterly to evaluate municipal performance. Reports are submitted to the Municipal Manager and Council regarding their findings.

An external specialist auditing firm performs the internal audit function on a contract basis.

9. **Ward Committees**

Ward Committees have been established successfully in ten out of the twelve wards and are functioning well. These Committees have played an important role in the IDP, budgeting and general public participation processes of the Municipality.

10. **Performance Management**

A performance management system is in place and is conducted as follows:

Policy and Framework	Performance Management/ Audit Committee	Performance Management System
		S57 Appointees
Exist	Sits quarterly	All have performance contracts

11. **Monitoring and Evaluation**

The Municipality must in terms of the Municipal Finance Management Act, No 56 of 2003, develop and implement a service delivery budget implementation plan (SDBIP) within 28 days after the approval of the budget.

A SDBIP is therefore in place for each service delivery unit with clear implementation timeframes for each project.

The Budget Office within the Financial Services Directorate is responsible for monitoring this plan quarterly. All Directorates submit reports on the status of projects to the Budget Office.

12. **Local Economic Development (LED)**

Progress has been made with the implementation of the Municipality's LED strategy, which was initially delayed because of the resignation of the previous LED manager and the time it took to find a replacement, when an LED Summit was held to finalise an implementation plan.

The highlight of this was the formation of 33-member Steering Committee, representing stakeholders across the local economic spectrum, to oversee the implementation of the plan.

The Municipality also contributed R700 000 in the 2007/2008 financial year towards the operating costs of the RED Door Business Advice Centre in Mossel Bay. This Centre, an initiative of the Department of Economic Development of the Western Cape, provides a wide range of business support services to small, medium and micro enterprises (SMME's).

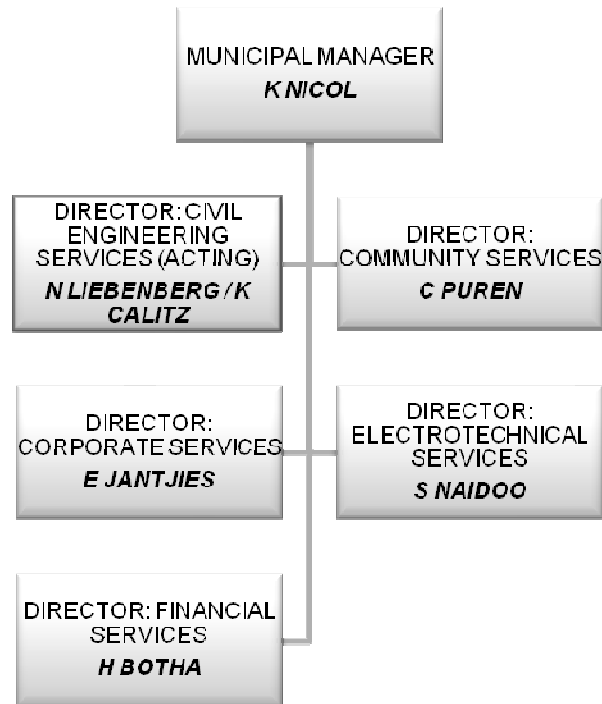
- ❖ More information on the performance of the Municipality is provided in Chapter 6 of this Annual Report. Chapter 6 deals with service delivery in the functional areas of the Municipality.

CHAPTER 4

INSTITUTIONAL DEVELOPMENT

3.1 Organisation Structure

The macro-structure of the Municipality remained unchanged during the 2007/2008 financial year and was as follows at the end of the year under review:



Mr K Nicol resigned for personal reasons as Municipal Manager in June 2008, and Dr C du Plessis was appointed as Acting Municipal Manager.

Mr C Möller resigned as Director of Civil Engineering Services shortly after the end of the 2007 financial year. Mr N Liebenberg, Head of Planning, Project Management and Bulk Services, acted in the position until February 2008 and Mr H J Calitz, Head of Operational Engineering Services, until the end of the June 2008.

Council approved the creation of an additional Directorate, the Directorate of Town and Regional Planning and Building Control. The new Directorate will come into operation in the 2008/2009 financial year.

3.2 Functions and Responsibilities

The functions of the four directorates are as follows:

3.2.1 Directorate Civil Engineering Services

The Directorate is made up of three Sub-Directorates, namely Operational Engineering Services, which include public works and the maintenance of civil infrastructure; Planning, Project Management and Bulk Services which include planning, project management, water supply and distribution and sewage disposal services; and Urban Planning and Building Control. The latter was transferred back to the Directorate: Community Services from where it was transferred in July 2005.

3.2.2 Directorate Community Services

The Directorate is responsible for the provision of Cleansing, Environmental Health Services not provided by the Eden District Municipality, Community Safety, Fire and Rescue Services, Welfare Development and Housing, Sport, Recreation and Facilities.

3.2.3 Directorate Corporate Services

The Directorate is responsible for support services which include the Secretariat, Typing Services, Archives, Switchboard and Cleaning, Legal Services, Human Resources, Change Management (Integrated Development Plan, Employment Equity and Performance Management System), Socio-Economic Development (Local Economic Development, Youth Development and Ward Committees) and Library Services. The Sub-Directorate Socio-Economic Development previously formed part of the Office of the Municipal Manager.

3.2.4 Directorate Electrotechnical Services

The Directorate Electrotechnical Services is responsible for the safe and efficient distribution of electricity to approximately 29 583 customers within an area of 2007 square kilometres, in compliance with the Occupational Health and Safety Act and the Electricity Regulation Act.

The Directorate is also responsible for Corporate Risk Management, which encompasses Safety and Fleet Management.

3.2.5 Directorate Financial Services

The Directorate is responsible for Financial Administration (budget, credit control, cash flow management, loans, investments and valuations), Income, Expenditure, Information Technology and Supply Chain Management.

The Municipality successfully established a Budget Office as required in terms of Municipal Finance Management Act, No 56 of 2003.

3.2.6 Office of the Municipal Manager

The Community Liaison and Customer Care sections, at present headed by the Executive: Strategic Support in the Municipal Manager's Office, as well as the Management Support section all report directly to the Municipal Manager.

- ❖ More details about the composition, employment equity, etcetera, of the Municipality's labour force and related matters appear in Chapter 6 of this Annual Report.

CHAPTER 5

2007/2008 AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION

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GENERAL INFORMATION

Mayoral Committee:	Alderlady M Ferreira (Executive Mayor)
	Clr H Levendal (Executive Deputy Mayor and Chairperson, Community Services Committee)
	Clr Ms E Domingo (Chairperson, Corporate Services Committee)
	Clr J van der Merwe (Chairperson, Financial Services Committee)
	Alderman E Scheepers (Chairperson, Technical Services Committee)
Speaker:	Alderman N Lodewyks

Ward Councillors:

1 Clr R Skombingo (ANC)	2 Clr S A Maphisa (ANC)
3 Clr Ms N E Bobotyana (ANC)	4 Clr B Jacobs (ANC)
5 Clr J J Gerber (DA)	6 Alderman E Scheepers (DA)
7 Clr J van der Merwe (DA)	8 Alderman N Lodewyks (DA)
9 Clr R Damons (Independent)	10 Clr K Booyens (DA)
11 Clr P A du Plessis (DA)	12 Clr W Buda (ANC)

Proportional Representative Councillors:

Clr Ms M de Klerk (ANC)	Clr Ms E Domingo (DA)
Clr Dr C du Plessis (DA)	Alderlady M Ferreira (DA)
Clr H Floors (DA)	Clr Ms N Giles (ACDP)
Clr O Kumalo (DA)	Clr H Levendal (DA)
Clr Ms N C Lichaba (ANC)	Clr S Manuel (ID)
Clr Ms S Moodie (ANC)	

Auditors:

The Auditor-General
Private Bag X1
CHEMPET, 7442

Bankers:

Nedbank

Municipal Manager (Acting):

Dr C du Plessis

Chief Financial Officer:

Mr HF Botha

Registered Office:

Civic Centre
101 Marsh Street
Mossel Bay
6506

Postal address:

PO Box 25
Mossel Bay
6500

Telephone:

(044) 606-5000

Facsimile:

(044) 606-5123

E-mail:

admin@mosselbaymun.co.za

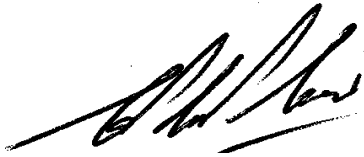
Website:

<http://www.mosselbaymun.co.za>

CERTIFICATION BY MUNICIPAL MANAGER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 33 to 104 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 27 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

31 AUGUST 2008

Date

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MOSSEL BAY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mossel Bay Municipality (municipality) which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 83.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DORA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Mossel Bay Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the MFMA and DORA.

Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matters:

Amendments to the applicable basis of accounting

11. As disclosed in note 1 to the financial statements, the National Treasury approved deviations from the basis of accounting applicable to the municipality in terms of *General Notice 522 of 2007*, issued in *Government Gazette No. 30012 of 29 June 2007*.

Restatement of corresponding figures

12. As disclosed in note 34 to the financial statements, the corresponding figures for the prior statement of financial position have been restated as a result of errors discovered during the current year ended 30 June 2008 in the financial statements of the municipality at, and for the year ended, 30 June 2007.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Local Government: Municipal Systems Act, Act No 32 of 2000 (MSA)

13. No performance contracts were concluded with the municipal manager and the managers directly accountable to the municipal manager for the current year, as required by section 57(1)(a) and (2) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Matters of governance

14. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	<input type="checkbox"/>	
• The audit committee operates in accordance with approved, written terms of reference.	<input type="checkbox"/>	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	<input type="checkbox"/>	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	<input type="checkbox"/>	
• The internal audit function operates in terms of an approved internal audit plan.	<input type="checkbox"/>	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	<input type="checkbox"/>	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	<input type="checkbox"/>	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		<input type="checkbox"/>
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	<input type="checkbox"/>	
• The prior year's external audit recommendations have been substantially implemented.	<input type="checkbox"/>	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	<input type="checkbox"/>	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	<input type="checkbox"/>	
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	<input type="checkbox"/>	

Unaudited supplementary schedules

15. The supplementary schedules set out on pages 84 to 104 of the financial statements do not form part of the financial statements and are presented as additional information. These schedules have not been audited and accordingly no opinion is expressed thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

16. I have reviewed the performance information as set out on pages 18 to 23.

Responsibility of the accounting officer for the performance information

17. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

Responsibility of the Auditor-General

18. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

19. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

20. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

21. The integrated development plan of the municipality did not include the key performance indicators (KPIs) and performance targets determined in terms of its performance management system, as required by section 26(i) of the MSA. Furthermore, KPIs:

- were not measurable, relevant and precise
- were not set for service providers with whom the municipality had entered into a service delivery agreement.

APPRECIATION

22. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Auditor-General

Cape Town

30 November 2008



AUDITOR - GENERAL

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2008 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2007/08 financial performance of the municipality to the 2006/07 comparative figures:

RATIO DESCRIPTION	2007/08	2006/07
<u>REVENUE MANAGEMENT</u>		
<i>Level of reliance on government grants</i>	11,9%	13,1%
<i>Actual income vs Budgeted income</i>	(17,8%)	(2,2%)
<u>EXPENDITURE MANAGEMENT</u>		
<i>Personnel costs to total expenditure</i>	28,8%	40,8%
<i>Actual expenditure vs Budgeted expenditure</i>	(26,4%)	(6,9%)
<i>Interest paid as a percentage of total expenditure</i>	0,2%	0,2%
<i>Repairs and maintenance / Total expenditure</i>	8,7%	8,6%
<u>ASSET MANAGEMENT</u>		
<i>Acquisition of PPE – Actual vs Budgeted**</i>	12,2%	(25%)
<i>Debtors collection period</i>	75 days	100 days
<i>Stockholding period</i>	19 days	25 days
<u>DEBT MANAGEMENT</u>		
<i>Creditors payment period</i>	10 days	10 days
<i>Total Liabilities / Total Assets</i>	8,4%	21,9%

** Refer to Appendix E(2) for explanation on variance

3. OPERATING RESULTS

3.1 Summary of Results

Details of the operating results per segmental classification are included in Appendix D, whilst operational results per category, together with a cryptic explanation of significant variances of more than 10 percent from the adjusted budget, are included in Appendix E(1).

DESCRIPTION	Actual 2006/07	Actual 2007/08	Variance	Adjusted Budget 2007/08	Variance
INCOME					
<i>Opening Surplus</i>	206 525 493	216 610 326	4,9%		
<i>Operating income for the year</i>	372 091 050	396 087 500	6,4%	481 605 319	(17,8%)
<i>Closing Deficit</i>	(11 053 411)	(41 414 774)	274,7%		
	567 563 131	571 283 051	(0,7%)	481 605 319	18,6%
EXPENDITURE					
<i>Opening Deficit</i>					
<i>Operating expenditure for the year</i>	353 748 770	352 318 485	(0,4%)	478 460 825	(26,8%)
<i>Sundry transfers</i>	(1 731 474)	(743 407 890)	42835%		
<i>Surplus from discontinued operations</i>	(1 064 490)	(16 612)	(98,4%)		
<i>Closing Surplus</i>	216 610 326	962 389 068	344,3%	3 144 494	
	567 563 131	571 283 051	(0,7%)	481 605 319	18,6%

The accumulated surplus as at 30 June 2008 amounted to R962,39 million. The accumulated surplus as at 30 June 2007 of R216,61 million was restated with previous year corrections of R743,41 million, amounting to R960,01 million. This indicates an increase of R2,37 million or 0,25% in the accumulated surplus from the 2006/07 financial year. The R743,41 million restatement of the previous year's accumulated surplus is due to a correction to the Post Retirement Benefit provision in respect of an error in the actuary report for the 2006/07 financial year to the amount of R13,17 million and the implementation of IAS 40 and GAMAP 17. The total amount of correction due to the implementation of GRAP 16 is R465,18 million and the assets not previously recognised that were brought into the financial statements in accordance with GAMAP 17 is a total of R258,81 million.

The operating income increased with 6,4 percent from the previous financial year's income of R372,09 million.

The operating expenditure decreased with 0,4 percent from the 2006/07 financial year.

Council budgeted for a surplus of R3 144 494 whilst it closed the year's operational activities with a surplus of R43 785 626. It must however be taken into account that there is certain expenditure which was transferred through the Statement of Changes in Net Assets, while the expenditure was budgeted for as an expenditure in the operational budget (Statement of Financial Performance), for example:

- Transfer of Capital Grants R18 304 491
- Transfer of External Services contributions R 9 708 009

In comparison with the 2007/2008 Operating Budget, the 2007/08 actual expenditure is R126 142 340 or 26,4 percent less than the budgeted expenditure and the actual income is R85 517 819 or 17,8 percent less than the budgeted income.

3.2 Rates and General services

DESCRIPTION	Actual 2006/07	Actual 2007/08	Variance	Adjusted Budget 2007/08	Variance
Income	202 439 055	203 011 547	0,3%	285 409 392	(28,9%)
Expenditure	239 087 954	226 832 190	(5,1%)	336 895 780	(32,7%)
Surplus/(deficit)	(36 648 899)	(23 820 644)	(35%)	(51 486 388)	(53,7%)
Surplus/(deficit) as % of total income	(18,1%)	(11,7%)		(18%)	

Variance from 2006/07 Actual:

The deficit with regards to Rates and other General services amount to R23 820 644 for the 2007/08 financial year, whilst 2006/07 indicated a deficit of R36 648 899. This indicates a 35 % decrease in the deficit on Rates and General Services compared to the 2006/07 financial year.

Variance from 2007/08 Budget:

It is clear from the above statement that the actual income and expenses with regard to Rates and General services are within the budgeted amounts for the 2007/08 financial year.

3.3 Trading services

Council purchases electricity in bulk from Eskom and then redistributes it to the consumers. The tariffs of electricity are considered together with all other tariffs during the compilation of the operational budget. Any increase in electricity tariffs must be approved by the National Electricity Regulator before Council can implement it. Eskom normally adjusts its tariffs in January of every year but Council endeavours to limit its increase to only one increase during July every year.

Council has some of its own water sources of which the Ernest Robertson Dam is the largest. Council also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

3.3.1 Electricity

DESCRIPTION	Actual 2006/07	Actual 2007/08	Variance	Adjusted Budget 2007/08	Variance
Income	119 503 841	126 821 221	6,1%	128 585 627	(1,4%)
Expenditure	75 720 963	80 601 050	6,4%	87 660 561	(8,1%)
Surplus/(deficit)	43 782 878	46 220 172	5,6%	40 925 066	12,9%
Surplus/(deficit) as % of total income	36,6%	36,4%		31,8%	

Variance from 2006/07 actual:

The Electricity service shows a surplus for both the 2006/07 and the 2007/08 financial years, with an increase of 5,6 percent between the two years. The surplus of R46,22 million for the 2007/08 financial year represents a profit percentage of 36,4 percent, whereas a 36,6 profit percentage was realised in the 2006/07 financial year.

Variance from 2007/08 budget:

The total actual income is 1,4 percent lower than the budgeted amount of R128,6 million for the 2007/08 financial year, whilst the expenditure is 8,1 percent less than the budgeted amount of R87,7 million.

The following table shows the information regarding electricity distribution:

ELECTRICITY DISTRIBUTION	2007/08 Financial year
Units Purchased (kWh)	303 107 000
Purchase price per kWh	18,9 cent
Units Sold (kWh)	279 083 000
Units lost during distribution (kWh)	24 024 000
Percentage lost during distribution	7,93 %
Net purchase cost (per unit)	18,9 cent
Total cost per unit	29,49 cent
Net sales per unit	42,27 cent
Total income	R117 957 576

3.3.2 Water

DESCRIPTION	Actual 2006/07	Actual 2007/08	Variance	Adjusted Budget 2007/08	Variance
Income	54 229 262	66 254 731	22,2%	67 610 300	(2%)
Expenditure	41 956 471	44 885 245	7%	53 904 484	(16,7%)
Surplus/(deficit)	12 272 791	21 369 486	74,1%	13 705 816	55,9%
Surplus/(deficit) as % of total income	22,6%	32,3%		20,3%	

Variance from 2006/07 actual:

The water service shows a surplus for both the 2006/07 and the 2007/08 financial year, with an increase of 74,1 percent between the two years. The surplus of R21,37 million for the 2007/08 financial year represents a profit percentage of 32,3 percent, whereas a 22,6 profit percentage was realised in the 2006/07 financial year.

Variance from 2007/08 budget:

The total actual income is 2 percent lower than the budgeted amount of R67,6 million for the 2007/08 financial year, whilst the expenditure is 16,7 percent less than the budgeted amount of R53,9 million.

The following table shows the information regarding water distribution:

WATER DISTRIBUTION	2007/08 Financial year
<i>Megalitres Purified</i>	9 664
<i>Megalitres Sold</i>	7 426
<i>Megalitres lost during distribution</i>	2 238
<i>Percentage lost during distribution</i>	23,16%
<i>Cost per megalitre purified</i>	1 738,74
<i>Total income</i>	R51 646 038
<i>Income per megalitre sold</i>	R6 954,76

4 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R76 979 863 and was financed as follows:

SOURCE OF FINANCE	2007/08 Actuals	% of Total Capital Expenditure
<i>Capital Replacement Reserve</i>	55 945 502	72,7%
<i>Grants and Subsidies</i>	14 816 232	19,2%
<i>Public contributions</i>	6 218 129	8,1%
TOTAL	76 979 863	100,0%

Property, Plant and Equipment are funded largely from the Capital Replacement Reserve as the Municipality has the financial resources to finance infrastructure capital expenditure from its own funds.

5 CAPITAL REPLACEMENT RESERVE

The balance of the Capital Replacement Reserve as at 30 June 2008 amounted to R101 854 884 (R68 152 445 as at 30 June 2007).

The Capital Replacement Reserve replaces the previous statutory funds, e.g. the Consolidated Capital Development and Loans Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

6. EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2008 the outstanding external loans amounted to R4 723 276 (R3 519 802 in 2007). Annuity loans to the amount of R239 972, stock loans of R9 000 and leases to the amount of R979 121 were redeemed during this financial year.

Council's cashbook showed a positive balance of R7 544 895 and Petty Cash to the amount of R10 980 on 30 June 2008. The bank account showed a positive balance of R17 488 029 with external investments amounting to R196 million against R207 million of the previous year.

More particulars regarding external loans and investments appear in Notes 4 and 20 as well as Appendix A.

7. NON-CURRENT PROVISIONS

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R65 063 088 as at 30 June 2008 (R55 084 507 as at 30 June 2007) and is made up as follows:

• Provision for Post Employment Health Care Benefits	R60 611 433.
• Provision for Ex-Gratia Pensioners	R882 820.
• Provision for Long Service Awards	R3 568 835.

Refer to Notes 5 and 43 for more detail.

8. CURRENT LIABILITIES

Current Liabilities are those liabilities of the municipality due and payable in the short term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations. Current Liabilities amounted to R53 432 166 as at 30 June 2008 (R83 042 287 as at 30 June 2007) and are made up as follows:

Consumer deposits	Note 7	R 8 164 883
Provisions	Note 8	R 3 977 678
Creditors	Note 9	R 32 995 152
Unspent conditional grants and receipts	Note 10	R 2 915 491
VAT	Note 11	R 3 436 067
Current portion of long-term liabilities	Note 4	<u>R 1 942 895</u>
		<u>R 53 432 166</u>

9. CURRENT ASSETS

Current Assets amounted to R263 783 224 as at 30 June 2008 (R260 060 435 as at 30 June 2007) and are made up as follows:

Inventory	Note 16	R 11 903 609
Consumer debtors	Note 17	R 28 861 827
Other debtors	Note 18	R 18 155 609
Current portion of long-term debtors	Note 15	R 1 306 304
Call investment deposits	Note 19	R196 000 000
Bank balances and cash	Note 38	<u>R 7 555 875</u>
		<u>R263 783 224</u>

The investment deposits are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the current portion of Long-term Liabilities and no funds are available for own purposes.

10. DEBTORS

The net balance of consumer debtors is indicated below:

DEBTOR	As at 30 June 2008	As at 30 June 2007	Variance
<i>Total Service debtors:</i>	27 614 998	22 740 993	21,4%
- Rates	4 177 904	4 659 242	(10,3%)
- Electricity	8 040 202	8 095 106	(0,7%)
- Water	5 818 668	3 457 419	68,3%
- Refuse	2 339 907	843 640	177,4%
- Sewerage	7 238 318	5 685 586	27,3%
<i>Debtpack collections</i>	8 978	754	1090%
<i>Land Sales</i>	7 456	44 887	(83,4%)
<i>Housing instalments</i>	493 898	214 337	130,4%
<i>Housing rentals</i>	268 495	81 412	229,8%
<i>Sundry Debtors</i>	468 003	549 202	(14,8%)
TOTAL	28 861 827	23 631 586	22,1%

Other debtors, including accrued income, increased from R14 404 049 in 2006/07 to R18 155 609 in the 2007/08 financial year, indicating an increase of 26,05 percent.

The Municipality has during the financial year written off bad debts to the amount of R19 350 078.

11. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. A special word of thanks to all staff that assisted with the collation of year-end information, for without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



HF BOTHA
B. Com. AIMTR (S.A.)
CHIEF FINANCIAL OFFICER

Date: 31 August 2008

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		1331 989 772	1288 204 145
Housing development fund	2	16 462 910	3 833 336
Reserves	3	353 137 794	324 352 593
Capital replacement reserve		101 854 884	68 152 445
Capitalisation reserve		74 438 702	87 951 500
Government grant reserve		96 275 155	84 697 931
Donations and public contribution reserves		80 569 053	83 550 717
Accumulated surplus/(deficit)		962 389 068	960 018 216
Non-current liabilities		68 029 378	57 805 052
Long-term liabilities	4	2 780 381	2 389 101
Non-current provisions	5	65 063 088	55 084 507
Non-current deposits	6	185 909	331 444
Current liabilities		53 432 166	83 042 287
Consumer deposits	7	8 164 883	7 670 989
Provisions	8	3 977 678	8 261 426
Creditors	9	32 995 152	29 815 640
Unspent conditional grants and receipts	10	2 915 491	12 051 085
VAT	11	3 436 067	2 986 235
Bank overdraft	20	-	21 126 209
Current portion of long-term liabilities	4	1 942 895	1 130 701
Total Net Assets and Liabilities		1453 451 315	1429 051 483
ASSETS			
Non-current assets		1189 668 090	1168 991 047
Property, plant and equipment	12	672 871 326	649 013 105
Intangible Assets	13	596 452	3 444 064
Investment Property	14	514 640 453	514 609 080
Long-term receivables	15	1 559 859	1 924 799
Current assets		263 783 224	260 060 435
Inventory	16	11 903 609	13 805 110
Consumer debtors	17	28 861 827	23 631 586
Other debtors	18	18 155 609	14 404 049
Current portion of long-term debtors	15	1 306 304	1 210 310
Short-term Investment Deposits	19	196 000 000	207 000 000
Cash and Cash equivalents	38	7 555 875	9 380
Total Assets		1453 451 315	1429 051 483

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

Budget			Actual	
2007	2008	Note	2008	2007
R	R		R	R
34 916 827	39 029 531		39 412 827	35 767 367
1 000 000	1 500 000		2 155 837	1 866 733
200 978 340	227 544 404		224 417 182	203 689 880
893 965	1 101 662		1 322 650	1 325 492
9 701 400	18 610 495		23 715 122	16 665 302
-	-		2 711	-
650 000	611 642		522 081	604 541
-	-		-	-
4 733 700	5 039 586		2 757 715	5 943 174
3 545 000	3 727 383		4 257 088	4 287 134
-	-		-	-
75 104 271	66 265 954	23	47 077 652	48 902 610
45 929 899	113 825 062	24	38 654 505	48 151 755
2 960 000	4 209 600	25	10 595 524	4 737 135
100 000	140 000		1 196 604	149 926
380 513 402	481 605 319	Total Revenue	396 087 500	372 091 050
		EXPENDITURE		
94 032 092	108 144 753	26	101 581 414	144 396 464
4 650 761	5 016 116	27	4 896 255	4 547 490
8 868 203	8 000 000	28	6 579 972	5 719 626
6 360 000	6 415 000		5 350 034	5 583 334
30 823 237	9 474 643		34 277 274	22 615 819
-	707 931		569 523	525 984
33 676 127	33 595 505		30 706 588	30 530 723
1 223 170	472 688	29	653 875	601 197
57 302 397	65 338 252	30	57 157 031	58 490 201
15 311 162	18 242 588		17 294 692	13 964 489
8 243 623	7 923 628	31	2 958 645	4 082 862
119 353 996	215 129 721	32	76 110 367	62 655 666
-	-		14 182 815	34 917
379 844 768	478 460 825	Total Expenditure	352 318 485	353 748 770
668 634	3 144 494	SURPLUS/(DEFICIT) FOR THE YEAR	43 769 014	18 342 279
		Discontinued operations		
	158,598	Surplus for the year from discontinued operations	16 612	1 064 491
668 634	3 303 092	SURPLUS FOR THE YEAR	43 785 626	19 406 770
		Refer to Appendix E(1) for explanations of variances		

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Housing development fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations & public contribution reserve	Accumulated surplus/(deficit)	Total
	R	R	R	R	R	R	R
2007							
Balance at 1 July 2006	11 239 726	70 959 088	96 124 980	62 434 943	83 780 170	208 256 967	532 795 874
Surplus/(deficit) for the year	-	-	-	-	-	19 406 770	19 406 770
Transfer to CRR	-	44 784 885	-	-	-	(44 784 885)	-
Property, Plant and Equipment purchased	-	-	-	-	-	-	-
Contribution from CRR - purchase PPE	-	(47 615 574)	-	-	-	47 615 574	-
Transfer to FDR Government Grants Reserve	-	-	-	23 701 619	-	(25 650 159)	(1 948 540)
Transfer to FDR Don. and Public Contri. Reserve	-	-	-	-	5 140 276	(3 191 736)	1 948 540
Transfer to Housing Development Fund	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	(8 173 480)	(1 438 631)	(5 369 729)	14 981 841	-
Asset disposals	-	24 046	-	-	-	(24 046)	-
Balance at 30 June 2007	11 239 726	68 152 445	87 951 500	84 697 931	83 550 717	216 610 326	552 202 644
2008							
Change in accounting policy (Note 35)	-	-	-	-	-	464 286 531	464 286 531
Correction of error (Note 34)	(7 406 389)	-	-	-	-	279 121 359	271 714 969
Restated balance at beginning of the year	3 833 337	68 152 445	87 951 500	84 697 931	83 550 717	960 018 216	1288 204 145
Surplus/(deficit) for the year	-	-	-	-	-	43 785 626	43 785 626
Transfer to CRR	-	88 426 436	-	-	-	(88 426 436)	-
Proceeds on disposal	-	1 221 504	-	-	-	(1 221 504)	-
Contribution from CRR - purchase PPE	-	(55 945 502)	-	-	-	55 945 502	-
Transfer to FDR Government Grants Reserve	-	-	-	14 816 232	-	(14 816 232)	-
Transfer to FDR Don. and Public Contri. Reserve	-	-	-	-	6 218 129	(6 218 129)	-
Transfer to Housing Development Fund	17 709 830	-	-	-	-	(17 709 830)	-
Transfer from Housing Development Fund	(5 080 256)	-	-	-	-	5 080 256	-
Offsetting of depreciation	-	-	(8 340 258)	(3 068 780)	(5 966 444)	17 375 482	-
Asset disposals	-	-	(5 172 540)	(170 228)	(3 233 349)	8 576 116	-
Balance at 30 June 2008	16 462 910	101 854 883	74 438 702	96 275 155	80 569 053	962 389 068	1331 989 771

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		366 630 096	341 653 209
Cash paid to suppliers and employees		315 124 758	238 052 775
Cash generated from/(utilised in) operations	37	51 505 337	103 600 434
Increase in consumer deposits	7	493 894	776 590
Interest received		24 239 914	17 269 843
Interest paid		(653 875)	(601 197)
Net cash from operating activities		75 585 270	121 045 670
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE		(61 490 272)	(79 247 337)
Proceeds on disposal of PPE		1 196 604	115 009
(Increase)/decrease in non-current receivables	15	1 268 849	1 182 515
(Increase)/decrease in current investments	19	11 000 000	(52 000 000)
Net cash from investing activities		(48 024 820)	(129 949 814)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		1 112 255	(676 924)
Net cash from financing activities		1 112 255	(676 924)
Net increase / (decrease) in cash and cash equivalents		28 672 705	(9 581 068)
Cash and cash equivalents at the beginning of the year		(21 116 829)	(11 535 761)
Cash and cash equivalents at the end of the year	38	7 555 875	(21 116 829)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1: Accounting Policy

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. The Minister of Finance has, in terms of General Notice 552 of 2007, exempted compliance with certain of the abovementioned standards and aspects or parts of these standards.

Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General Notice 552 of 2007:

Standard no.	Standard title	Extent of exemption from standard
2006/2007		
IAS 19 (AC 116)	Employee benefits	<ul style="list-style-type: none"> Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q)).
IAS 38 (AC 129)	Intangible assets	<ul style="list-style-type: none"> The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed.
2007/2008		
GAMAP 12	Inventories	<ul style="list-style-type: none"> The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17. The entire standard to the extent that it relates to water stock that was not purchased by the municipality.
IAS 40 (AC 135)	Investment Property	<ul style="list-style-type: none"> The entire standard to the extent that the property is accounted for in terms of GAMAP 17. Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (paragraphs 79(e)(i)-(iii))
IAS 17 (AC 105)	Leases	<ul style="list-style-type: none"> Recognising operating lease payments\receipts on a straight-line basis if the amounts are recognised on the basis of cash flows in the lease agreement (IAS 17.33-34 and 50 – 51, SAICA Circular 12/06.8-11).
IAS 39 (AC 133)	Financial Instruments: Recognition and measurement	<ul style="list-style-type: none"> Initially measuring financial assets and financial liabilities at fair value. (SAICA Circular 09/06, paragraph 43, AG79, AG64 and AG65 of IAS39 / AC 133).
IAS 11 (AC 109)	Construction contracts	<ul style="list-style-type: none"> Entire standard.
IFRS 5 (AC 142)	Non-current Assets held for sale and discontinued operations	<ul style="list-style-type: none"> Classification, measurement and disclosure of non-current assets held for sale (paragraphs 6-14, 15-29 (as far as it relates to non-current assets held for sale), 38-42).
IFRS 7 (AC 144)	Financial Instruments: Disclosures	<ul style="list-style-type: none"> Entire standard to be replaced by IAS 32 (AC125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with AC 115 (Segment Reporting) and AC 146 (Operating Segments).

1.5 Foreign currency transactions

The municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.6 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the Municipality maintains a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development, subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.7 Reserves

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution.

The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

- The cash, which backs up the CRR, is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The proceeds from the disposal of property, plant and equipment originally financed through the CRR must be transferred to the CRR.
- All proceeds from the sale of land will be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets.
- The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects. The Integrated Development Plan, the municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will be taken into account in order to determine the annual contribution to the CRR.

1.7.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.4 Public Contributions and Donations Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Public Contributions and Donations Reserve equal to the Public Contributions and Donations Reserve recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions and Donations Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Public Contributions and Donations.

When an item of property, plant and equipment financed from Public Contributions is disposed, the balance in the Public Contributions and Donations Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.5 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. All land and buildings recorded in the Municipality's asset register shall be revalued when the Council is of the opinion that economic conditions have had a substantial impact on the value of land and buildings within the municipal area. Under such circumstances, a sworn valuer will be appointed to perform a valuation of all land and buildings.

The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

1.8 Financial Instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.8.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Unlisted Investments (Local Authority Stock).

- Investments in Fixed Deposits (Banking Institutions, etc).
- Long-term Receivables.
- Consumer Debtors.
- Other Debtors.
- Short-term Investment Deposits.
- Bank Balances and Cash.
- Operating lease assets.

The *Financial Assets* of the Municipality are presently classified as follows into three categories:

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Held at fair value through profit or loss
Unlisted Investments	Held at fair value through profit or loss
Investments in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Held to maturity

1.8.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities.
- Provisions.
- Creditors.
- Bank Overdraft.
- Current Portion of Long-term Liabilities.
- Defined Benefit Obligations.
- Consumer Deposits.
- VAT.
- Operating lease liabilities.

There are two main categories of *Financial Liabilities*, based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities').

Creditors

Creditors are stated at their settlement value.

Accrued Leave Pay

Liability for annual leave is recognised as it accrues to employees. Provision is based on the total accrued leave days at year-end.

1.8.3 Measurement

Financial Assets:

Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

The requirement that financial assets and liabilities (previously instruments) should initially be measured at fair value, have been exempted in terms of General Notice 552 of 2007.

1.8.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost, which represents fair value. After initial recognition, Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.9 Leases

1.9.1 Lessee Accounting

Amounts held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.9.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for the intended use or sale, added to the costs of these assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.12 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Position.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

1.13 Employee Benefits

(a) *Pension Obligations*

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected-unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post Retirement Medical Obligations*

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries bi-annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

1.14 Trade Payables (Creditors)

Trade payables and other receivables are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method

1.15 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and on the total remuneration package of the employee.

1.16 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant, an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.*

1.17 Value Added Tax

The Council accounts for Value Added Tax on the cash basis.

1.18 Property Plant and Equipment

Land and buildings held for use in the production or supply of goods and services, or for administrative purposes, are stated in the Statement of Financial Position at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Land identified for the first time is recognised at its fair value.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

All other property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation is charged to write off the cost or valuation of assets, other than land and buildings under construction over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following guiding estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
		Landfill sites	15

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the Accumulated Surplus/(Deficit) directly in the Statement of Changes in Net Assets.

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment):

- *Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]*
- *Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]*
- *Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]*
- *Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]*

1.19 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost.

Subsequent to initial recognition investment properties are shown at fair value, based on periodic, but at least every three years, valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.20 Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

1.21 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date, the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with AC 128 (Impairment of Assets) in its entirety.

1.22 Financial Assets

The Municipality classifies its financial assets in the following categories: loans and receivables, investments in associates, investments in municipal entities and joint ventures. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Investment in Associate

An associate is an entity over which the Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results, assets, and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the Municipality or its Municipal Entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise significant influence over the associate the equity method of accounting is discontinued.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

(b) Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with AC 140 (Business Combinations) in its entirety.

(c) Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost.

Jointly Controlled Operations

The Municipality recognises the assets that it controls, the liabilities and expenses that it incurs as well as its share in the revenue that it earned from the sale or provision of goods or services by the joint venture.

Jointly Controlled Assets

The Municipality's share of the jointly controlled assets and liabilities is recognised in the statement of financial position and is classified according to their nature. Revenue from the sale or use of the Municipality's share of the output of the jointly controlled assets, and its share of the expenses incurred is recognised in the statement of financial performance.

Jointly Controlled Entities

Interests in jointly controlled entities are stated at cost.

1.23 Inventories

Inventories consist of consumables and are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

1.24 Trade and Other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited to the Statement of Financial Performance.

1.25 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.26 Revenue Recognition

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed.

The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity and water prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from Non-exchange Transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received. A calculation of fines to be received is made at year-end based on the average collection rate of the past three years.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with the following requirements of GAMAP 9 (Revenue):

- *Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SAICA Circular 09/06 and paragraph 12]*

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.*

1.27 Related Parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.28 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state; and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, No 56 of 2003. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, No 56 of 2003, the Municipal Systems Act, No 32 of 2000, the Public Office Bearers Act No 20 of 1998, or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

Notes 2 – 48: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND

	2008 R	2007 R
Balance at beginning of the year	3 833 336	11 239 726
Income	17 709 830	-
Land Sales	9 014	-
Housing Letting/Selling Scheme Loans	17 700 816	-
Housing Selling Scheme Loans Interest	-	-
Housing Debtors	-	-
Less: Expenditure	5 080 256	7 406 389
Funding Capital Projects	766 672	-
Funding Operating Projects	4 313 585	7 406 389
Total Housing Development Fund assets and liabilities	16 462 910	3 833 336

Refer to Note 34.5 for detail regarding the restatement of previous year balance.

3. RESERVES

Capital Replacement Reserve	101 854 884	68 152 445
Future Depreciation Reserve		
Assets financed ex Capitalisation Reserve	74 438 702	87 951 500
Assets financed ex Government Grant	96 275 155	84 697 931
Assets financed ex Donations and Public Contributions	80 569 053	83 550 717
	353 137 794	324 352 593

The Capital Replacement Reserve is fully funded and invested in ring-fenced financial instruments.

Refer to Note 34 and 35 for detail regarding the restatement of previous year balances.

4. LONG-TERM LIABILITIES

Local registered stock loans	840 175	849 097
Annuity loans	490 770	639 601
Finance lease liability	3 392 331	2 031 104
Government loans: Other	-	-
Sub-total	4 723 276	3 519 802
Less: Current portion transferred to current liabilities	1 942 895	1 130 701
Local registered stock loans	293 493	146 422
Annuity loans	239 972	239 972
Finance lease liability	1 409 430	744 307
Government loans: Other	-	-
Total external loans	2 780 381	2 389 101

Refer to Appendix A for more detail on long-term liabilities

Finance lease liabilities - Minimum capital lease payments:

No later than 1 year	1 014 893	1 086 549
Later than 1 year and no later than 5 years	2 826 228	1 722 275
Later than 5 years	-	-
	3 841 122	2 808 824
Future finance charges on finance leases	(448 791)	(777 719)
	3 392 331	2 031 105

The present value of finance lease liabilities is as follows:

No later than 1 year	1 409 430	744 306
Later than 1 year and no later than 5 years	1 982 900	1 286 799
Later than 5 years	-	-
	3 392 331	2 031 105

Refer to Note 34.3 and 35.2.2 for detail regarding the restatement of previous year balance.

5. NON-CURRENT PROVISIONS

Provision for Post Employment Health Care Benefits	62 958 269	56 576 956
Provision for Ex-Gratia Pensioners	1 003 461	1 030 000
Provision for Long Service Awards	4 346 643	3 935 469
	68 308 373	61 542 425
Less: Transfer to Current Provisions	3 245 285	6 457 918
Post Employment Health Care Benefits	2 346 836	6 073 519
Ex Gratia Pensioners	120 641	121 298
Long Service Awards	777 808	263 101

	2008 R	2007 R
Non-Current defined Benefit Plan Provision	65 063 088	55 084 507
Provision for Post Employment Health Care Benefits	60 611 433	50 503 437
Provision for Ex-Gratia Pensioners	882 820	908 702
Provision for Long Service Awards	3 568 835	3 672 368

Post Employment Health Care Benefits:

The total liability in respect of Health Care Benefits amounts to R62 958 million as at 30 June 2008 (R56 577 million as at 30 June 2007). Provision for R62 958 million has been made. (Non-current R60 611 million, current R2 347 million - refer Note 8)

Ex-Gratia Pensioners Benefits:

The total liability in respect of Ex-Gratia Pensioners Benefits amounts to R1 003 million as at 30 June 2008 (R1 030 million as at 30 June 2007). Provision for R1 003 million has been made. (Non-current R882 820, current R120 641 - refer Note 8)

Long Service Awards Benefits:

The total liability in respect of Long Service Awards amounts to R4 347 million as at 30 June 2008 (R3 935 million as at 30 June 2007). Provision for R4 346 million has been made. (Non-current R3 568 million, current R777 808 - refer Note 8)

Refer to note 43 'Other Defined Benefit Plan Information' to the financial Statements for more information regarding the Provision for Post Employment Health Benefits for Current Employees and Continuation Members, the Provision for Ex-Gratia Pensioners Liability and the Long Service Awards Liability.

Refer to note 34.1 for details regarding restatement of previous year amounts.

6. NON-CURRENT DEPOSITS

Santos Pavilion Repair Fund

Balance at beginning of year	331 444	310 770
Contributions during the year	-	-
Interest on Investment	17 316	20 674
Expenditure during the year	(162 851)	-
	<u>185 909</u>	<u>331 444</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 99-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100,000 to the council as an investment. Interest earned may be used by Council for the maintenance of the building should he fail to do it himself.

7. CONSUMER DEPOSITS

Electricity and Water	8 164 883	7 670 989
Total consumer deposits	<u>8 164 883</u>	<u>7 670 989</u>

No interest accrues on consumer deposits.

Guarantees held in lieu of electricity deposits	<u>10 000</u>	<u>10 000</u>
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Included in the amount of R8,164,883 is an amount of R10,000 for 2008 (R10,000 for 2007)

8. PROVISIONS

Alien Vegetation	50 000	1 126 800
Illegal Dumping	25 000	245 000
Post Retirement Benefits	2 467 477	6 194 817
Current portion of long-service provision	777 808	263 101
Performance Bonuses	657 393	431 708
Total Provisions	<u>3 977 678</u>	<u>8 261 426</u>

The movement in current provisions are reconciled as follows:

	<u>Alien Vegetation</u>	<u>Illegal Dumping</u>	<u>Post Retirement Benefits</u>	<u>Long-service</u>	<u>Performance Bonuses</u>
30 June 2008					
Balance at beginning of year	1 126 800	245 000	6 194 817	263 101	431 708
Transfer from non-current			2 467 477	777 808	
Contributions to provisions	39 020	19 445	-	-	657 393
Expenditure incurred	(1 115 820)	(239 445)	(6 194 817)	(263 101)	(431 708)
Balance at end of year	<u>50 000</u>	<u>25 000</u>	<u>2 467 477</u>	<u>777 808</u>	<u>657 393</u>

30 June 2007	<u>Alien Vegetation</u>	<u>Illegal Dumping</u>	<u>Post Retirement Benefits</u>	<u>Long-service</u>	<u>Performance Bonuses</u>
Balance at beginning of year	-	-	1 794 238	549 112	358 991
Transfer from non-current	-	-	6 194 817	263 101	-
Contributions to provisions	1 126 800	245 000	-	-	431 708
Expenditure incurred	-	-	(1 794 238)	(549 112)	(358 991)
Balance at end of year	1 126 800	245 000	6 194 817	263 101	431 708

Alien Vegetation:

Provision has been made to clear all Alien Vegetation as settlement of the obligations that can be forced by law.

Illegal Dumping:

Provision has been made to clean-up for Illegal Dumping costs for unlawful environmental damage.

Post Retirement Benefits:

This is the current portion which is due of the non-current provision. (refer note 5)

Long Service Provision:

This is the current portion which is due of the non-current provision. (refer note 5)

Performance Bonuses:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year end.

9. CREDITORS

	2008 R	2007 R
Trade creditors	6 116 123	5 557 170
Payments received in advance	8 500 336	8 358 490
Accrued Expenditure	2 434 053	1 944 550
Retentions	5 578 264	4 951 281
Staff leave	5 543 275	4 498 782
Other creditors	218 846	199 503
Other deposits	4 604 256	4 305 865
Total creditors	32 995 152	29 815 640

10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Conditional grants from other spheres of government	2 883 139	11 840 244
Provincial Grants (Note 23)	1 255 779	476 307
National Grants (Note 23)	243 674	9 807 777
Other Government Grants	1 383 686	1 556 159
9.2 Other conditional receipts	32 351	210 841
District Municipality	-	3 821
Developers contributions	-	201 195
Public contributions	32 351	5 825
Total conditional grants and receipts	2 915 491	12 051 085

See Note 23 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilised in terms of section 12 of the MFMA.

11. VAT

Opening Balance	2 986 235	4 623 877
VAT Payable (output)	(35 111 208)	(32 713 885)
VAT Receivable (Input)	28 476 390	27 820 047
Paid to SARS	7 084 649	3 256 197
Net VAT Payable	3 436 067	2 986 235

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over SARS.

Refer to note 34.4 for the details regarding the restatement of previous year balance.

12. PROPERTY, PLANT & EQUIPMENT

	Cost R	Accumulated Depreciation R	Carrying Value R
As at 30 June 2007			
Land and Buildings	308 441 370	20 952 877	287 488 493
Infrastructure	363 091 032	117 810 457	245 280 575
Community	69 046 626	10 067 823	58 978 803
Other	86 558 746	29 293 512	57 265 234
Total	827 137 774	178 124 669	649 013 105

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
As at 30 June 2008			
Land	190 881 063	-	190 881 063
Buildings	111 866 816	24 739 999	87 126 817
Infrastructure	447 459 166	137 354 575	310 104 591
Community	70 070 051	12 559 039	57 511 012
Other	44 734 350	17 486 506	27 247 844
Total	865 011 446	192 140 120	672 871 326

Refer to Appendix B and B(1) for more detail.
Refer to Note 34 for detail regarding the restatement of previous year balance.

13. INTANGIBLE ASSETS

	2008	2007
	R	R
Carrying values at the beginning of the year	3 444 064	3 519 284
Cost	6 716 347	6 265 583
Accumulated amortisation	(3 272 283)	(2 746 299)
Acquisitions		1 601 114
Disposals	(5 545 243)	
Transfer from Property, plant and equipment (Correction of error per note 34.10)		(1 150 350)
Amortisation	(569 523)	(525 984)
Amortisation written back on disposals	3 267 155	
Carrying values at the end of the year	596 452	3 444 064
Cost	1 171 104	6 716 347
Accumulated amortisation	(574 652)	(3 272 283)

Refer to Note 34.9 for detail regarding the restatement of previous year balance.

14. INVESTMENT PROPERTY

Carrying values at the beginning of the year	514 609 080	-
Cost	514 609 080	-
Acquisitions	31,373	-
Implementation of IAS 40 Standard	-	516 879 080
Impairment losses	-	2,270,000
Carrying values at the end of the year	514 640 453	514 609 080
Cost	514 640 453	514 609 080

Investment property is property held to earn rentals or for capital appreciation or both, such as Land held for long-term capital appreciation or Vacant land held for undecided future use.
Revenue earned from Investment Property is disclosed in the Statement of Financial Performance. The Investment Property is carried at fair value. Refer to Note 35.1 for detail regarding restatement of previous year

15. LONG-TERM RECEIVABLES

Loans to controlled Municipal Entities		
Car Loans	92 778	167 950
Study Loans	172 805	373 895
Computer Loans	-	7 412
Land Sales Debtors	43 867	55 928
Public Assistance Loans	474 265	518 429
Housing Selling Scheme Loans	4 246 356	5 175 305
	5 030 072	6 298 920
Less: Current portion transferred to current receivables	1 306 304	1 210 310
Car Loans	45 897	149 363
Computer Loans	-	6 145
Loans Public Organisations	161 493	124 313
Housing selling schemes	1 096 160	928 949
Land Sales Debtors	2 754	1 540
Sub Total	3 723 768	5 088 610
Less Provision for bad debts	2 163 909	3 163 811
Total	1 559 859	1 924 799

Refer to note 34.2 and 35.2 .1 for details regarding restatement of previous year amounts.

Loans to Employees

Staff were entitled to various loans e.g. car and computer loans which attract interest at 8% and 8,5% per annum and which are repayable over a maximum period of 6 years.
These loans were granted before the implementation of the MFMA and the last of the loans are repayable by May 2010.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These attract interest at a rate of 8% to 15% per annum and are repayable over a maximum period of 15 years.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

16. INVENTORY

	2008	2007
	R	R
Consumable stores - at cost	632 496	286 660
Maintenance materials - at cost	4 527 486	2 594 923
Meters	133 180	91 109
Spare parts - at unauthorised value	5 518	6 138
Purification Materials	501 949	422 098
Unsold properties held for resale - at unauthorised value	5 980 842	10 294 427
Water purification	122 138	109 755
Total inventory	11 903 609	13 805 110

Inventory 2007/2008 = R5 922 767 (R3 510 683 in 2006/2007). Unsold properties held for sale transferred to inventory = R5 980 842 (R10 294 427 in 2006/2007). Total inventory = R11 903 609

NIL stock (R34 673 in 2006/07) were written off during this financial year.

17. CONSUMER DEBTORS

	Provision for Bad		
	Gross Balances	Debts	Net Balance
As at 30 June 2008			
Service debtors	51 528 842	23 913 844	27 614 998
Rates	6 110 068	1 932 164	4 177 904
Electricity	8 661 808	621 607	8 040 202
Water	14 006 043	8 187 375	5 818 668
Refuse	6 210 721	3 870 814	2 339 907
Sewerage	16 540 202	9 301 884	7 238 318
Debtback Collections	989 638	980 660	8 978
Land Sales	85 321	77 864	7 456
Housing Instalments	1 285 582	791 684	493 898
Housing rentals	308 552	40 057	268 495
Sundry Debtors	1 061 873	593 870	468 003
Total	55 259 808	26 397 980	28 861 827
As at 30 June 2007			
Service debtors	61 375 149	38 634 156	22 740 993
Rates	7 255 922	2 596 680	4 659 242
Electricity	8 950 223	855 117	8 095 106
Water	19 002 023	15 544 604	3 457 419
Refuse	8 191 406	7 347 766	843 640
Sewerage	17 975 575	12 289 989	5 685 586
Debtback Collections	1 402 746	1 401 991	754
Land Sales	122 161	77 274	44 887
Housing Instalments	1 907 891	1 693 554	214 337
Housing rentals	440 494	359 081	81 412
Sundry Debtors	1 195 406	646 203	549 202
Total	66 443 846	42 812 260	23 631 586

Rates: Ageing

Current (0 -30 days)	2 700 420	2 565 002
31 - 60 Days	184 851	202 124
61 - 90 Days	152 456	245 721
91 - 120 Days	201 138	145 162
121- 365 Days	1 579 072	1 785 794
> 365 Days	1 292 131	2 312 118
Total	6 110 068	7 255 922

Electricity, Water, Refuse and Sewerage): Ageing

Current (0 -30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121- 365 Days
> 365 Days
Total

2008	2007
R	R
15 184 070	17 687 065
1 625 430	1 654 729
1 104 929	1 405 081
1 025 638	1 348 952
10 079 670	10 499 626
16 399 038	21 523 773
45 418 774	54 119 227

Debtpack Collections

Current (0 -30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121- 365 Days
> 365 Days
Total

232	754
-	-
2	-
-	200
382 523	
606 881	1 401 791
989 638	1 402 746

Housing Instalments

Current (0 -30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121- 365 Days
> 365 Days
Total

20 502	74 457
11 610	20 200
7 207	23 913
6 724	23 411
160 184	165 049
1 079 355	1 600 863
1 285 582	1 907 891

Housing rentals: Ageing

Current (0 -30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121- 365 Days
> 365 Days
Total

6 348	15 500
2 574	4 363
2 299	4 417
2 248	24 921
98 679	36 683
196 404	354 609
308 552	440 494

Sundry Debtors

Current (0 -30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121- 365 Days
> 365 Days
Total

387 090	460 339
41 509	46 487
39 405	42 376
17 135	43 248
145 472	109 322
431 263	493 633
1 061 873	1 195 406

Land Sales

Current (0 -30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121- 365 Days
> 365 Days
Total

1 317	1 631
538	608
538	608
538	7 006
4 265	24 420
78 125	87 888
85 321	122 161

Reconciliation of Provision for Bad Debts

(Including provision for Bad debts for Long-term Receivables (See note 15))

Balance at beginning of year
Contribution to / (Reversal from) provision
Bad Debts written off / recovered
Balance at end of year

45 976 072	33 495 164
4 535 426	12 480 908
(19 350 078)	-
31 161 420	45 976 072

18. OTHER DEBTORS

Accrued Income
Unauthorised expenditure (see Note 40.1)
Fruitless & wasteful expenditure (see Note 40.2)
Government subsidies
Other Debtors
Recoverable Expenditure
Total other debtors

10 514 929	9 633 795
-	-
-	-
724 894	105 163
9 515 316	4 665 091
-	-
20 755 139	14 404 049

Less Provision for bad debts
Total

2 599 530	
18 155 609	14 404 049

Refer to Note 34.6 and 34.7 for detail regarding the restatement of previous year balance.

19. INVESTMENTS

	2008 R	2007 R
Short-term Investment deposits	196 000 000	207 000 000
Less: Current portion maturing within next 12 months - refer note 20	196 000 000	207 000 000
	-	-

Council policy is to make investments in accordance with the investment policy as follows:

- That the broad investment policy framework be applicable
 - Investments not be placed with foreign banks
 - That council does not make use of the services of investment brokers
 - Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with an A1 and higher rating be used
 - long-term investments (more than 12 months) only institutions with AA or AAA or higher rating be used
 - Not more than 50% of the total investments invested with one institution
- No investments were written off during the year.

20. BANK, CASH AND OVERDRAFT BALANCES

The municipality has the following bank accounts:

BANK ACCOUNT	Account Numbers		
(PREVIOUS BANKER - ABSA)			
Main Bank Account - ABSA	4055353399		6 429 481
(CURRENT BANKER - NEDBANK)			
Primary Bank Account - NEDBANK DEPOSIT ACCOUNT	1626566909	17 488 029	-
Secondary Bank Account - NEDBANK CHECQUE ACCOUNT	1626566917		-
		<u>17 488 029</u>	<u>6 429 481</u>
Bank statement balance at beginning of year		6 429 481	4 752 501
Bank statement balance at end of year		<u>17 488 029</u>	<u>6 429 481</u>
Cash book balance at beginning of year		(21 126 209)	11 544 966
Cash book balance at end of year		<u>7 529 466</u>	<u>(21 126 209)</u>
Petty Cash / Float at beginning of year		9 380	9 205
Petty Cash / Float at end of year		<u>10 980</u>	<u>9 380</u>
Mossel Bay Sport Trust:			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		<u>15 429</u>	<u>-</u>
INVESTMENTS: Current portion matures within next 12 months - Refer Note 19		<u>196 000 000</u>	<u>207 000 000</u>

The Municipality changed its banker during the financial year from ABSA to NEDBANK.

All accounts are with NEDBANK. The balance of account no. 1626566917 - cheque account, is swept to the main account - Primary bank account no. 1626566909.

Mossel Bay Municipality has taken over all accounts of the Mossel Bay Sport Trust. The Trust was dissolved and the Municipality undertakes full responsibility and control of the Centre as from 1 February 2008.

21. PROPERTY RATES

Actual		
Residential	31 882 775	27 457 891
Commercial	8 519 795	9 090 594
State	786 910	761 071
Building Clause	32 962	30 218
Assessment Rate: Letting	1 602	1 706
Assessment Rate: State Building Kwa Nonqaba	100 776	91 323
Agricultural	420 179	408 696
Less: Income forgone	(2 332 172)	(2 074 132)
Total assessment rates	<u>39 412 827</u>	<u>35 767 367</u>
Valuations	July 2007 R000's	July 2006 R000's
Residential	5773 487 700	5367 021 360
Commercial	1129 731 000	1116 329 200
State	104 058 600	112 144 400
Municipal	299 050 210	308 942 110
Building Clause	6 849 440	7 503 840
Assessment Rate: Letting	-	-
Assessment Rate: State Building Kwa Nonqaba	12 135 800	12 135 800
Agricultural	319 400 300	288 323 800
Total property valuations	<u>7644 713 050</u>	<u>7212 400 510</u>

The General Valuation on land and buildings is performed every 4 years. The last General Valuation came into effect on 1st July 2003. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and sub divisions. Rates are levied on an annual basis with the final date for payment being 30 September. The basic rate for the 2007/2008 financial year varies between R0,001298 to R0,05190 for land, and R0,001298 to R0,008304 on buildings respectively. Qualifying pensioners receive an additional rebate of either 30% or 50% on property tax. With regards to needy families where the joint income of husband and wife amounted to less than R3,000 a rebate was allowed with regards to water, refuse and sewerage. Interest at prime plus 1% per annum is levied on rates outstanding after due date.

22. SERVICE CHARGES	2008	2007
	R	R
Sale of electricity	117 957 576	110 956 239
Sale of water	48 072 460	42 876 722
Refuse removal	21 154 147	17 187 722
Sewerage & sanitation charges	37 233 000	32 669 197
Total service charges	224 417 182	203 689 880
23. GOVERNMENT GRANTS & SUBSIDIES		
Equitable share	17 056 215	15 944 442
Provincial health subsidies	-	-
National Government Grants	11 487 316	20 459 690
Provincial Government Grants	10 925 968	10 189 217
Main Road Subsidy - Provincial	724 894	1 552 163
Other	6 883 260	757 098
Total Government Grant & Subsidies	47 077 652	48 902 610
23.1 <u>Equitable Share</u>		
These grants are used to subsidise the provision of basic services to indigent communities		
23.2 <u>Provincial health subsidies</u>		
Balance unspent at beginning of year	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-
The operations of the health services, namely Clinics, Community Services and Prime Health Care, was discontinued during the 2006/07 year and transferred to the Provincial Administration Western Cape. (note 33)		
23.3 <u>National Government Grants</u>		
Balance unspent at beginning of year	9 807 777	622 722
Current year receipts	1 923 213	29 644 745
Adjustments	-	-
Conditions met - transferred to revenue	(11 487 316)	(20 459 690)
Conditions still to be met - transferred to liabilities (see note 10)	243 674	9 807 777
Those received from National Government are for operational and capital expenditure. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.		
23.4 <u>Provincial Government Grants</u>		
Balance unspent at beginning of year	476 307	1 223 802
Current year receipts	11 705 440	9 441 722
Adjustments	-	-
Conditions met - transferred to revenue	(10 925 968)	(10 189 217)
Conditions still to be met - transferred to liabilities (see note 10)	1 255 779	476 307
23.5 <u>Main Roads Subsidy</u>		
Balance unspent at beginning of year	-	-
Current year receipts	724 894	1 552 163
Conditions met - transferred to revenue	(724 894)	(1 552 163)
Conditions still to be met - transferred to liabilities (see note 10)	-	-
23.6 <u>Other Grants</u>		
Balance unspent at beginning of year	1 556 159	1 525 403
Current year receipts	6 710 786	936 718
Adjustments	-	(148 864)
Conditions met - transferred to revenue	(6 883 260)	(757 098)
Conditions still to be met - transferred to liabilities (see note 10)	1 383 686	1 556 159

The Municipality received various grants from PAWC for operational and capital projects. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

24. OTHER INCOME	2008	2007
	R	R
Building Plan Fees	5 488 170	3 188 042
Camping Fees	3 266 917	3 444 432
Rental Chalets	2 033 996	3 380 850
Availability Fees (Services)	11 062 880	10 429 081
Land Usage Fee	579 990	703 867
Contributions from External Services	9 708 009	19 009 206
Contributions from Land Sales	193 580	455 503
Insurance Claims	555 071	838 981
Other	5 765 891	6 701 792
Total other income	38 654 505	48 151 755
25. PUBLIC CONTRIBUTIONS		
District Municipality	5 075 670	1 247 112
Developers Contributions	104 034	2 165 718
Public Contributions	1 160 379	30 659
Connection Fees	4 255 442	1 293 646
Other	-	-
Total public contributions	10 595 524	4 737 135
25.1 District Municipality		
Balance unspent at beginning of year	3 821	79 401
Current year receipts	5 071 849	1 171 532
Adjustments	-	-
Conditions met - transferred to revenue	(5 075 670)	(1 247 112)
Conditions still to be met - transferred to liabilities (see note 10)	-	3 821
25.2 Developers Contributions		
Balance unspent at beginning of year	1 921 324	776 648
Current year receipts	-	2 450 329
Adjustments	(97 161)	860 065
Conditions met - transferred to revenue	(104 034)	(2 165 718)
Conditions still to be met - transferred to liabilities (see note 10)	1 720 129	1 921 324
25.3 Public Contributions		
Balance unspent at beginning of year	5 825	785
Current year receipts	1 192 832	35 700
Adjustments	(5 928)	-
Conditions met - transferred to revenue	(1 160 379)	(30 659)
Conditions still to be met - transferred to liabilities (see note 10)	32 351	5 825
The Municipality receives grants from various private funders for operational and capital projects. Other than the amounts unspent the conditions of the grants have been met. No funds have been withheld.		
26. EMPLOYEE RELATED COSTS		
Employee-related costs - Salaries, Wages & Bonuses	62 512 708	54 046 765
Employee-related costs - Contributions for UIF, pensions & medical aids	14 073 789	11 703 618
Contributions to Post Retirement Benefits Provision	5 994 816	60 163 147
Contributions to Long Service Bonus Provision	674 275	3 149 950
Contributions to Leave Gratuity Provision	1 595 946	859 298
Travel, motor car, accommodation, subsistence & other allowances	6 084 995	5 584 126
Housing benefits & allowances	865 511	762 061
Overtime payments	5 766 482	5 231 808
Executive packages	4 158 422	3 364 311
Less: Employee costs capitalised and to other operating maintenance	(145 529)	(468 621)
Total employee-related costs	101 581 414	144 396 464
Remuneration of the Municipal Manager		
Annual remuneration	575 587	567 929
Performance bonuses	118 933	111 747
Car allowance	120 000	82 487
Administration	-	-
Telephone	-	-
Contributions to UIF, Medical & Pension Funds	97 260	68 899
Group Insurance	-	-
Industrial Council	38	36
Total	911 818	831 099

	2008 R	2007 R
Remuneration of the Chief Financial Officer		
Annual remuneration	397 296	361 062
Performance bonuses	96 142	90 334
Car allowance	96 000	96 000
Contributions to UIF, Medical & Pension Funds	140 988	132 598
Group Insurance	6 624	6 624
Industrial Council	38	36
Total	737 089	686 654

	<u>Electro-Technical Services</u>	<u>Technical Services</u>	<u>Corporate Services</u>	<u>Community Services</u>
Remuneration of individual executive directors 30 June 2008				
Annual remuneration	416 696	101 305	339 333	328 592
Performance bonuses	96 142	96 142	96 142	96 142
Acting allowance		170 058	32 047	
Car allowance	102 000		100 000	108 000
Administration				79 985
Telephone				36 000
Contributions to UIF, Medical & Pension Funds	115 589	5 513	90 219	81 707
Group Insurance	6 624		4 539	6 624
Industrial Council	38	6	32	38
Total	737 089	373 024	662 312	737 089

	<u>Electro-Technical Services</u>	<u>Technical Services</u>	<u>Corporate Services</u>	<u>Community Services</u>
Remuneration of individual executive directors 30 June 2007				
Annual remuneration	162 618	237 129	315 188	291 380
Performance bonuses	37 639	37 639	15 056	90 334
Acting allowance	-	34 539	-	-
Car allowance	42 500	-	100 000	108 000
Administration	-	-	12 293	79 985
Telephone	-	-	20 000	36 000
Contributions to UIF, Medical & Pension Funds	43 034	13 783	80 147	74 295
Group Insurance	2 760	-	5 520	6 624
Industrial Council	15	15	30	36
Total	288 566	323 105	548 234	686 654

27. REMUNERATION OF COUNCILLORS

	2008 R	2007 R
Executive Mayor	403 435	375 296
Executive Deputy Mayor	372 584	361 158
Speaker	304 531	281 015
Mayoral Committee members	918 529	854 468
Councillors	2 298 039	2 146 276
Councillors' pension contributions	515 467	453 914
Councillors' medical contributions	66 198	56 402
Travel Cost in Excess of 500km	17 471	18 961
Total Councillors' remuneration	4 896 255	4 547 490

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes.

Certification by Municipal Manager

The salaries, allowances and benefits of the Councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution.

28. BAD DEBTS

Contribution to Bad Debt Provision	5 081 429	5 134 041
Bad Debts : Services	1 498 543	585 585
	6 579 972	5 719 626

29. INTEREST PAID

External Borrowings	636 560	554 132
Current Deposit	17 316	47 065
Total interest	653 875	601 197

30. BULK PURCHASES

Electricity	50 793 081	53 003 273
Water	6 363 950	5 486 928
Total bulk purchases	57 157 031	58 490 201

31. GRANTS & SUBSIDIES PAID

	2008 R	2007 R
Grant in Aid (Assessment Rates)	-	-
Grant in Aid (Services)	2 098 524	2 878 815
Subsidy: Benefit Discount Scheme	463 072	995 406
SPCA	297 049	208 641
Hessequa Municipality	20 000	-
Other Donations	80 000	-
Total grants & subsidies	2 958 645	4 082 862

Notes to Grants and Subsidies

Other Donations consists of contributions to Mossel Bay Tourism to the amount of R20000 and a contribution to Mossel Bay Business Chambers of R60000 in the 2007/08 financial year.

32. GENERAL EXPENSES

Audit Fees - External Auditors	909 807	896 171
Bank Charges	1 474 335	1 292 490
Community Meetings	-	50 272
Conferences & Seminars	36 216	48 219
Consultant Fees	825 731	2 134 357
Contract Work	3 301 385	1 368 884
Contributions to Alien Vegetation Provision	39 020	1 126 800
Contributions to Illegal Dumping Provision	19 445	245 000
Entertainment - Public	10 510	8 084
Fuel & Oil	3 880 469	3 049 856
Hire Charges	95 470	42 614
Housing: Top Structures	7 586 284	270 153
Impairment on Investments	-	-
Industrial & Tourism - Sect. 21 Co	2 184 687	2 010 888
Insurance	2 349 338	1 803 647
Inventory Items	6 355 146	8 286 389
Lease Charges	701 127	616 069
Legal Costs	455 299	182 334
Levy - Bargaining Council	27 245	26 518
Levy - D.M.: Establishment	-	-
Levy - D.M Services	-	-
Levy - Skills Development (SETA)	724 956	622 194
Levy - Water : DWAF	406 859	410 901
Levy-Water Catchmt Man:DWAF	71 343	-
Licence Fees	257 217	257 768
Materials and Stores	5 238 399	4 161 731
Mayor's Public Expenses	3 153	33 352
Municipal Charges	8 765 379	8 359 098
Public Functions	112 928	102 282
Refuse Tip Site - External	1 710 711	1 741 067
Relief / Charitable Expenses	79 974	29 959
Transfer to Transformation Funds	-	-
Transfer to Equitable Share	15 757 656	14 317 211
Street Lighting	1 294 184	1 235 049
Telephones and Communications	1 643 708	1 382 269
Travelling & Subsistence	386 548	219 872
Water Rural Areas	153 095	307 458
Other	10 753 333	6 703 206
Less:	(1 500 592)	(686 496)
Stores handling charges	(520 666)	(458 638)
Vehicle and Equipment Recoveries	(14 204)	(13 771)
Departmental Costs	(155 066)	-
Recoverable Expenditure	(810 656)	(214 087)
TOTAL	76 110 367	62 655 666

The present value of Operating lease liabilities, is as follows:

No later than 1 year	825 905	701 127
Later than 1 year and no later than 5 years	729 423	1 555 328
	1 555 328	2 256 455

33. DISCONTINUING OPERATIONS

The operations of the health services, namely Clinics, Community Services and Prime Health Care, was discontinued during the year and transferred to the Provincial Administration Western Cape. The analysis of the profit as disclosed on the Statement of Financial Performance is as follows:

	2008 R	2007 R
Government subsidies	281 758	4 041 212
Insurance claims	-	26 647
Gains from disposal of property, plant and equipment	-	13 158
Total income	281 758	4 081 017
Less: Expenditure	265 146	3 016 526
General expenses	162 270	160 494
Employee related cost	102 876	2 842 194
Repairs and maintenance	-	13 838
Net surplus from discontinuing operations	16 612	1 064 491

The requirements of IFRS 5 have been applied prospectively as allowed by the mentioned Standard.

34. PRIOR YEAR ADJUSTMENTS

34.1 Post Retirement Benefits: (Refer Note 5)

The new Actuary used for the 2008 Employee Benefits has shown that the previous actuary used incorrect information in creating the report for the 2007 year on the Medical Aid Benefits. The new actuary has confirmed this with the previous actuary used.

Medical Aid Benefits:

2007 year Actuarial report	70 029 687
2008 year Actuarial report	(56 576 956)
Difference between Actuarial reports	13 452 731

The Provision for Post Retirement benefits and the Accumulated surplus was adjusted accordingly.

34.2 Long term Receivables: (Refer Note 15)

New study loans for the 2006/07 financial year was processed as an expenditure in the 2006/07 year and was not transferred to the receivables control account.

Balance at 30 June 2007 on 2006/07 financial statements	31 630
Amount of Study loans transferred to the loan receivables control account for 2006/07 loans	342 266
Restated balance of Study loans as at 30 June 2007	373 895

The Long term Receivables control account and the Accumulated surplus was adjusted accordingly.

34.3 Finance lease liability (Refer note 4 and Appendix A)

The Finance lease liability in the previous financial year were shown at cost excluding vat. The previous year amount was therefor restated as follows:

Finance leases : Balance on previous year statements	(2 273 222)
Adjustment	242 118
Restated balance on Finance leases for 2006/07 financial year	(2 031 104)

The Finance lease accounts and the Accumulated surplus was adjusted accordingly.

34.4 VAT Provision (Refer Note 11)

The VAT provision account contained vat for previous years Arrangement schemes on services, which was not written back when the debt was written off during the previous year.

VAT provision adjustment on old Arrangement schemes	24 016
---	--------

The VAT provision and Accumulated surplus was adjusted accordingly.

34.5 Housing Development fund (Refer Note 2)

As a lack of sufficient funds in the Housing Development fund during the 2006/07 financial year, the property held for resale was not transferred to the fund. The correction was done in terms of the Housing Act 1977 (Act. No 107 of 97 Section 14(4)(a)(d)(ii).

7 406 389

The Housing Development Fund and the Accumulated surplus was adjusted accordingly.

	2008 R	2007 R
34.6 Debtor for Housing Administration account (Refer Note 18)		
As a lack of sufficient funds in the Housing Development Fund, the balance deficit on the Housing Administration Operating account was not transferred to the Housing development fund in the 2006/07 year. This deficit is now recovered from the Department of Housing as an unfunded mandate according to the Constitution. A debtor was raised for the recovery amount. The correction was done in terms of the Housing Act 1977 (Act. No 107 of 97 Section 14(4)(a)(d)(ii).		1 500 683
The Other Debtors and the Accumulated surplus was adjusted accordingly.		
34.7 Accrued Insurance claims - Other debtors (Note 18)		
An accrual was raised for outstanding insurance claims as at 30 June 2007, but this income did not realise as an operating income. This income received as a creditor for the financing of new capital assets.		(249 505)
The accrued income and Accumulated surplus was adjusted accordingly.		
34.8 Loss on depreciation i.r.o. Capital Assets written off (Note 12)		
The net effect of assets capitalised in previous years was written off during the 2007/08 financial year.		
Capital assets at cost		(1 845 956)
Accumulated depreciation		588 276
Total net effect		<u>(1 257 679)</u>
The Accumulated Depreciation, Property Plant and Equipment cost and Accumulated surplus was adjusted accordingly.		
34.9 Asset not qualifying as Intangible assets in accordance with IAS38 (AC129) (Refer note 13)		
During the 2006/07 financial year the valuation roll was capitalised as Intangible assets. According to IAS38 the valuation roll did not qualify as such.		(1 150 350)
The Intangible assets and Accumulated surplus was adjusted accordingly.		
34.10 Implementation of GAMAP 17 (Refer note 12)		
Land and Buildings not previously recognised credited to Accumulated Surplus		
- Cost		207,413,497.10
- Accumulated Depreciation		<u>-1,866,226.23</u>
		205 547 271
Community assets not previously recognised credited to Accumulated Surplus		
- Cost		44 546 600
- Accumulated Depreciation		<u>(1 385 743)</u>
		43 160 857
Inventory not previously recognised credited to Accumulated Surplus		
- Cost		12 618 481
- Accumulated Depreciation		<u>(2 515 921)</u>
		10 102 560
Total Assets identified		<u>258 810 688</u>
35. CHANGE IN ACCOUNTING POLICY		
35.1 Implementation of IAS 40 (Refer notes 12 and 14)		
Re-valuation on land reclassified as investment property		187 667 219
Impairment on land reclassified as investment property		(2 270 000)
Investment property identified not previously recognised in Asset Register		<u>279 781 880</u>
		<u>465 179 099</u>
35.2 Implementation of IAS 39 - Financial Instruments (Refer Notes 4 and 15)		
Due to the implementation of IAS 39 the Municipality's Long-term Receivables and Long-term		
35.2.1 Restatement of fair values of Long-term Receivables (Note 15):		
Car Loans		
Balance at 30 June 2007 on 2006/07 financial statements		172 256
Total restatement of fair values on loans		(30 640)
Unamortised discount on loan for years up to 2005/06		21 543
Unamortised discount on loan 2006/07		<u>4 791</u>
Total amount of restatement		<u>(4 306)</u>
Restated balance of Car loans as at 30 June 2007		<u>167 950</u>

	2008 R	2007 R
<u>Computer Loans</u>		
Balance at 30 June 2007 on 2006/07 financial statements		7 622
Total restatement of fair values on loans		(5 147)
Unamortised discount on loan for years up to 2005/06		4 130
Unamortised discount on loan 2006/07		808
Total amount of restatement		(210)
Restated balance of Computer loans as at 30 June 2007		7 412
<u>Public Assistance loans</u>		
Balance at 30 June 2007 on 2006/07 financial statements		1 741 001
Total restatement of fair values on loans		(1 853 015)
Unamortised discount on loan for years up to 2005/06		553 681
Unamortised discount on loan 2006/07		76 761
Total amount of restatement		(1 222 572)
Restated balance of Public Assistance loans as at 30 June 2007		518 429
Total amount of restatement of Long-term Receivables due to implementation of IAS 38 - Financial Instruments:		<u>(1 227 088)</u>
The Long term Receivables control accounts and the Accumulated surplus was adjusted accordingly.		

35.2.2 Restatement of fair values of Long-term Liabilities (Note 4):

<u>Annuity loans</u>		
Balance at 30 June 2007 on 2006/07 financial statements		873 996
Total restatement of fair values on loans		2 493 411
Unamortised discount on loan for years up to 2005/06		(2 149 312)
Unamortised discount on loan 2006/07		(109 705)
Total amount of restatement		234 395
Restated balance of Annuity loans as at 30 June 2007		639 601
<u>Local registered stock loans</u>		
Balance at 30 June 2007 on 2006/07 financial statements		949 222
Total restatement of fair values on loans		62 793
Unamortised discount on loan for years up to 2005/06		29 470
Unamortised discount on loan 2006/07		7 863
Total amount of restatement		100 125
Restated balance of Local registered stock loans as at 30 June 2007		849 097
Total amount of restatement of Long-term Receivables due to implementation of IAS 38 - Financial Instruments:		<u>334 521</u>
The Long term Liabilities control accounts and the Accumulated surplus was adjusted accordingly.		

35.3 Implementation of other Standards

IAS 11 - Construction Costs
 Gamap 12 - Inventories
 IAS 17 - Leases
 IFRS 5 - Non-current assets held for sale and discontinued operations
 IFRS 7 - Financial instruments: Disclosures

The above financial reporting standards had no monetary effect on the Annual Financial Statements.

36. CHANGE IN ACCOUNTING ESTIMATE

No changes in accounting estimates in terms of the Standards of GRAP 3.

37. CASH GENERATED BY OPERATIONS

	2008	2007
	R	R
Surplus for the year	43 785 626	19 406 770
Adjustment for:		
Depreciation and Amortisation	34 846 797	23 141 804
Depreciation - Previous year adjustment		(1 825 812)
Gain and loss on disposal of property, plant and equipment	(1 196 604)	(1 115 009)
Contributions to provisions (non-current)	6 669 091	63 325 547
Contributions to provisions (current)	2 311 805	2 662 806
Actuarial loss	2 710 945	
Contributions to bad debt provision	4 535 426	9 317 097
Bad Debts written off	(19 350 078)	-
Investment Income	(24 237 203)	(17 269 843)
Unamortised discounts	(2 711)	-
Interest paid	653 875	601 197
Operating surplus before working capital changes:	50 726 970	99 244 556
(Increase) / Decrease in inventories	1 901 501	6 492 631
(Increase) / Decrease in debtors	11 184 039	(13 561 671)
(Increase) / Decrease in other debtors	(6 351 090)	(1 746 522)
(Decrease) / Increase in conditional grants & receipts	(9 135 594)	7 186 002
Increase / (Decrease) in creditors	3 179 511	5 985 437
Cash generated by operations	51 505 337	103 600 434

38. CASH & CASH EQUIVALENTS

Cash & cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Cash	10 980	9 380
Bank balance	7 544 895	(21 126 209)
Total cash and cash equivalents	7 555 875	(21 116 829)

39. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see note 4)	4 723 276	4 096 443
Used to finance PPE - at cost	-	-
Sub-total	4 723 276	4 096 443
Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 20).		

40. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery (note 17)	-	-
Unauthorised expenditure awaiting authorisation	-	-

40.2 Fruitless & wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

40.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	42 488	-
Recovered	(42 488)	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
Cash theft	Employee resigned - SAPS case number MAS60/04/2008

41. ADDITIONAL DISCLOSURES i.t.o THE MFMA

	2008 R	2007 R
41.1 Contributions to SALGA		
Opening balance	-	-
Council subscriptions	425 003	281 847
Amount paid - current year	(425 003)	(281 847)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
41.2 Audit fees		
External Audit Fees		
Opening balance	-	-
Current year audit fee	909 807	896 171
Amount paid - current year	(909 807)	(896 171)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
Internal Audit Fees		
Opening balance	-	-
Current year audit fee	736 220	613 720
Amount paid - current year	(736 220)	(613 720)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
41.3 VAT		
VAT inputs receivables and VAT outputs receivables are shown in Note 11.		
All VAT returns have been submitted by the due date throughout the year.		
41.4 PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	11 369 768	9 508 159
Amount paid - current year	(11 369 768)	(9 508 159)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
41.5 Pension, Provident and medical aid deductions		
Opening balance	-	-
Current year payroll deductions and council contributions	21 502 483	18 958 501
Amount paid - current year	(21 502 483)	(18 958 501)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
41.6 Councillor's arrear consumer accounts		
<u>The following Councillors had arrear accounts outstanding for more than 90 days:</u>		
30 June 2008	<u>Total</u>	<u>Outstanding less than 90 days</u> <u>Outstanding more than 90 days</u>
J Booyens	1,697	1,171 526
Total Councillor Arrear Consumer Accounts	1 697	1 171 526
30 June 2007	<u>Total</u>	<u>Outstanding less than 90 days</u> <u>Outstanding more than 90 days</u>
None	-	- -
Total Councillor Arrear Consumer Accounts	-	- -
<u>During the year the following councillors had arrear accounts outstanding for more than 90 days:</u>		
30 June 2008	<u>Highest Amount Outstanding</u>	<u>Ageing</u>
J Booyens	756	90+ days
30 June 2007		
None		
41.7 Non-compliance with Chapter 11 of the MFMA		
The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:		
SERVICE CONTRACTS:		
No deviations and ratifications of minor breaches of procurement processes with regards to service contracts were reported.		
TENDERS:		
No deviations and ratifications of minor breaches of procurement processes with regards to tenders were reported.		

41.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS	2008	2007
	R	R
41.8.1 Levy Department of Water Affairs and Forestry : Water	406 859	410 901
41.8.2 Levy Department of Water Affairs and Forestry : Water Catchment Management	71 343	-
41.8.3 Skills Development Levy	724 956	622 194

42. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

-approved and contracted for	57 143 601	37 715 700
<i>Infrastructure</i>	43 002 500	23 485 700
<i>Community</i>	9 331 837	2 280 000
<i>Specialised Vehicles</i>		11 950 000
<i>Other</i>	4 809 264	
-approved but not yet contracted for	39 994 000	51 319 566
<i>Infrastructure</i>	30 620 000	42 167 466
<i>Community</i>	844 000	4 454 800
<i>Other</i>	530 000	2 135 300
<i>Housing Development Fund</i>	8 000 000	2 562 000
Total	97 137 601	89 035 266

This expenditure will be financed from:

-Finance leases	1 600 000	-
-Capital replacement reserve	70 461 257	59 942 266
-Government grants	18 076 344	19 073 000
-Public contributions / donations	3 000 000	6 020 000
-District Council grants	-	-
-Housing Trust Fund	4 000 000	4 000 000
	97 137 601	89 035 266

43. RETIREMENT BENEFIT INFORMATION

43.1 Post Employment Health Care Benefits

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- In-service members	400	363
- Continuation members	95	86
Total	495	449

The liability in respect of past service has been estimated to be as follows:

	R	R
- In-service members	31 929 042	30,470,431
- Continuation members	31 029 227	26,106,525
	62 958 269	56,576,956

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Global Health;
- Hosmed;
- LA Health;
- Munimed;
- Samwumed.

The future service cost for the ensuing year is established to be R2 269 893 whereas the interest-cost for the next year is estimated to be R6 730 239.

Key actuarial assumptions used:

i) Rate of interest	2008	2007
Investment return	10.69%	8.64%
Health Care Cost Inflation Rate	9.69%	7.64%
Net Effective Discount Rate	1%	1.00%

ii) Mortality rates

The PA 90 ult (rated down 1 year). Mortality table was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 60 years.

iv) Gender

Where the gender of pensioners had not been available for the actuaries, the prudent assumption had been made that those pensioners are females.

v) Current age

Where the dates of birth of continuation members had not been available to the actuaries, an age of 62 had been assumed, as the average age of continuation members is 62.

The amounts recognised in the Statement of Financial Position are as follows:

	2008	2007
	R	R
Present value of fund obligations	62 958 269	56 576 956
Fair value of plan assets	-	-
	<u>62 958 269</u>	<u>56 576 956</u>
Unrecognised past service cost	-	-
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	62 958 269	56 576 956
Net liability	<u>62 958 269</u>	<u>56 576 956</u>

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 017 594	-
Interest cost	4 888 249	-
Actuarial losses	2 303 933	-
Vested past service cost	-	59 133 147
Total included in employee related costs (Note 26)	<u>8 209 776</u>	<u>59 133 147</u>

The movement in the defined benefit obligation over the year is as follows:

Beginning of the year	56 576 956	12 676 062
Current service cost	1 017 594	-
Vested past service cost	-	59 133 147
Interest cost	4 888 249	-
Benefits paid	(1 828 463)	(1 779 522)
Actuarial losses	2 303 933	-
Correction of prior year contribution	-	(13 452 731)
End of the year	<u>62 958 269</u>	<u>56 576 956</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and the interest cost	5 964 901	5 846 785
Effect on the defined benefit obligation	63 587 852	62 328 686

43.2 Ex-Gratia Pensioners Defined Benefit Obligation

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 1 March 2007, 17 pensioners were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

The contribution rate payable is as follows:

For continuation members, the member contribution is 70 % and the Council contribution is 30%. For current employees the contribution rate is 60/40.

The interest-cost for the next year is estimated to be R86 681. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:

	2008	2007
i) Rate of interest		
Investment return	8.64%	8.64%
Post Retirement Interest Rate	4.25%	4.25%
Net Effective Discount Rate	1.89%	1.89%

The above-mentioned investment return assumption was arrived at as follows:

Yield on R186 government bond as of 1 March 2007	7.39%	7.39%
Corporate Bond Risk Premium	1.25%	1.25%
	<u>8.64%</u>	<u>8.64%</u>

ii) Mortality rates

The PA 90 ult. Mortality table was used by the actuaries

iii) Gender

The gender of the pensioners had not been taken into account in the actuarial valuation, hence the prudent assumption had been made that all pensioners are female.

iv) Other information

Total monthly pension for all pensioners
Average monthly pension per pensioner

R
10 025
590

The amounts recognised in the Statement of Financial Position are as follows:

	2008 R	2007 R
Present value of fund obligations	1 003 461	1 030 000
Fair value of plan assets	-	-
	<u>1 003 461</u>	<u>1 030 000</u>
Unrecognised past service cost	-	-
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	1 003 461	1 030 000
Net liability	<u>1 003 461</u>	<u>1 030 000</u>

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	88 973	-
Actuarial gain	(6 497)	-
Vested past service cost	-	1 030 000
Total included in staff costs (Note 26)	<u>82 476</u>	<u>1 030 000</u>

The movement in the defined benefit obligation over the year is as follows:

Beginning of the year	1 030 000	-
Current service cost	-	-
Vested past service cost	-	1 030 000
Interest cost	88 973	-
Benefits paid	(109 015)	-
Actuarial gain	(6 497)	-
End of the year	<u>1 003 461</u>	<u>1 030 000</u>

43.3 Long Service Awards

The Long Service Awards plan is a defined benefit plan. As at 30 June 2007, 642 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R388 192, whereas the interest-cost for the next year is estimated to be R347 731.

Key actuarial assumptions used:

	2008	2007
Discount rate	8.00%	8.00%
Salary Inflation Rate	6.00%	6.00%
Net Effective Discount Rate	1.89%	1.89%

The amounts recognised in the Statement of Financial Position are as follows:

	2008 R	2007 R
Present value of fund obligations	4 346 643	3 935 469
Fair value of plan assets	-	-
	<u>4 346 643</u>	<u>3 935 469</u>
Unrecognised past service cost	-	-
Unrecognised actuarial losses	-	-
Present value of unfunded obligations	4 346 643	3 935 469
Net liability	<u>4 346 643</u>	<u>3 935 469</u>

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	359 437	-
Interest cost	314 838	-
Actuarial losses	413 509	-
Vested past service cost	-	3 356 758
Total included in staff costs (Note 26)	<u>1 087 784</u>	<u>3 356 758</u>

The movement in the defined benefit obligation over the year is as follows:

	2008	2007
	R	R
Beginning of the year	3 935 469	1 127 824
Current service cost	359 437	-
Vested past service cost	-	3 356 758
Interest cost	314 838	-
Benefits paid	(676 610)	(549 113)
Actuarial losses	413 509	-
	4 346 643	3 935 469

The effect of a 1% movement in the assumed general salary inflation rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost	681 018	667 532
Effect on the defined benefit obligation	4 390 109	4 303 177

43.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of the Mossel Bay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund and Cape Joint Retirement Fund are defined benefit plans, whereas the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2006 (30 June 2005) revealed that the fund had an actuarial surplus of R293,01 (R87,2) million with a funding level of 111,4% (103,4%), and is in a sound financial state as at 30 June 2006.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2006 (30 June 2003) revealed that the fund had an actuarial surplus of R38,58 (R0) million with a funding level of 114% (100%). Certified in a sound financial position as at 30 June 2006.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some agterskot benefit payments may still necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 5% by the members and not less than 12% by Council. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state.

44. RELATED PARTY TRANSACTIONS

Parties are considered to be related if:

- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

44.1 Related Party Transactions

Year ended 30 June 2008

	Rates and service charges R	Outstanding balances R
Councillors	123 995	-
Municipal Manager and Section 57 Personnel	35 275	-
Municipal Entities	-	-

Year ended 30 June 2007

Councillors	117 242	-
Municipal Manager and Section 57 Personnel	24 524	-
Municipal Entities	-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

44.2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

44.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 26.

44.4 Other related party transactions

The Municipality is involved in business transactions with a company that is owned by the sons of Alderlady M Ferreira. Alderlady M Ferreira do not have any shareholding or interest in the company mentioned above. The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

The Municipality did business during the 2007/08 financial year with a company of which Councillor J Booyens is a Director to the amount of R100 804.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

45. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument	2008 R	2007 R
Short-term Investment Deposits	196 000 000	207 000 000
Long term receivables	5 030 072	6 298 920
Consumer debtors	51 528 842	61 375 149
Other debtors	3 730 965	5 068 698
Bank and cash balances	7 555 875	9 380

46. FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets and liabilities of the municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS

Held to maturity:

		2008 R	2007 R
Short-term Investment Deposits	Fixed deposits - due within 12 months	196 000 000	207 000 000
Bank Balances		7 544 895	-
Cash Floats and advances		10 980	9 380
Total Held to maturity		203 555 875	207 009 380

Loans and Receivables:

Long-term Receivables	Car Loans	46 881	18 586
Long-term Receivables	Study Loans	172 805	373 895
Long-term Receivables	Computer Loans	-	1 267
Long-term Receivables	Land Sales Debtors	41 113	54 389
Long-term Receivables	Public Assistance Loans	312 773	394 116
Long-term Receivables	Housing Selling Scheme Loans	3 150 196	4 246 356
Consumer Debtors	Service debtors	51 528 842	61 375 149
Consumer Debtors	Debtpack Collections	989 638	1 402 746
Consumer Debtors	Land Sales	85 321	122 161
Consumer Debtors	Housing Instalments	1 285 582	1 907 891
Consumer Debtors	Housing rentals	308 552	440 494
Consumer Debtors	Sundry Debtors	1 061 873	1 195 406
Other Debtors	Accrued Income	10 514 929	9 633 795
Other Debtors	Government subsidies	724 894	105 163
Other Debtors	Other Debtors	9 515 316	4 665 091
Current portion of Long-term Receivables	Car Loans	45 897	149 363
Current portion of Long-term Receivables	Computer Loans	-	6 145
Current portion of Long-term Receivables	Loans Public Organisations	161 493	124 313
Current portion of Long-term Receivables	Land Sales Debtors	2 754	1 540
Current portion of Long-term Receivables	Housing Selling Scheme Loans	1 096 160	928 949
Total loans and receivables		81 045 018	87 146 816

Total Financial Assets

284 600 893	294 156 196
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SUMMARY OF FINANCIAL LIABILITIES

		2008 R	2007 R
Long term liabilities	Local registered stock loans	546 683	702 675
Long term liabilities	Annuity loans	250 798	399 629
Long term liabilities	Finance lease liability	1 982 900	1 286 797
Creditors	Creditors	32 995 152	29 815 640
Bank Overdraft	Bank Overdraft	-	21 126 209
Current portion of long term liabilities	Local registered stock loans	293 493	146 422
Current portion of long term liabilities	Annuity loans	239 972	239 972
Current portion of long term liabilities	Finance lease liability	1 409 430	744 307
Total Financial Liabilities		37 718 428	54 461 651

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase in interest rates

	2008 1%	2007 1%
The estimated increase in basis points		
Financial Assets	810 450	871 468
Financial Liabilities	377 184	544 617
Net effect on surplus (Financial Assets minus Financial Liabilities)	433 266	326 852

47. CONTINGENT LIABILITY

47.1 Contractual disputes

Contractual claims in respect of court cases that are currently in dispute and being addressed through mediation the maximum unforeseen liability is estimated at R5 500 000.

47.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of the housing loans. This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R146 834, and council has a right to recovery.

48. EVENTS AFTER THE REPORTING DATE

There is no events that had happened after reporting date that will have a negative impact on Council's finances.

Note 49: Disclosure requirements regarding Exemptions

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	<p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated AFS GRAP 7 Associates GRAP 8 JV's GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 PPE GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets</p>	Y	<p>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.</p> <p>GRAP 4,6,7,8,9,12,17,19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p> <p>GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p> <p>GRAP 10 and 11. The municipality does not have these types of transactions.</p> <p>GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p>	<p>Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.</p> <p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p> <p>No adjustment required.</p> <p>See adjustments required as per relevant sections of this document set out below.</p>

		Changes in accounting policies (GRAP 3.14, 19)	Y	Although this exemption was adopted, the municipality has not made any changes to accounting policies which has not been properly disclosed.	No adjustments to the AFS are required.
GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	<p>In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is deferred, for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.</p>	No adjustments to the AFS are required.
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Inventories (GAMAP 12) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of GAMAP 12.
		The entire standard as far as it relates to water stock that was not purchased by the municipality.	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Inventories (GAMAP 12) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of GAMAP 12.

GAMAP 17	Property, plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	Y	<ol style="list-style-type: none"> 1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic. 2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate. 	<p>The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate.</p> <ol style="list-style-type: none"> 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.
		Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77)	Y	<ol style="list-style-type: none"> 1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate. 	<p>The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.</p> <ol style="list-style-type: none"> 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.

		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	<ol style="list-style-type: none"> 1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ol style="list-style-type: none"> ➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➤ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount. 	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IPSAS 21.
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		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> ➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➤ Show that they are not performing according to their specifications or according to industry accepted norms. <p>Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
IAS 11 AC 109	Construction contracts	Entire standard	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Construction contracts (IAS11) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 11.

IAS 14 AC 115	Segment reporting	Entire standard	Y	<ol style="list-style-type: none"> 1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14. 2) Determine the business and geographical segments of the municipality. 3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa. 4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats. 	<p>The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p>
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Leases (IAS17) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 17.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Employee Benefits (IAS19 /AC 116) by 30 June 2007.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 19.
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	Due to the nature of this standard it is highly doubtful if this IAS standard will ever be applicable to a Municipality.	Due to the nature of this standard it is highly doubtful if this IAS standard will ever be applicable to a Municipality.

IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	<ol style="list-style-type: none"> 1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ol style="list-style-type: none"> ➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➤ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount. 	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Intangible Assets (IAS38 /AC 129) by 30 June 2007.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 38.

IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Financial instruments: recognition and measurement (IAS39) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 39.
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Investment Property (IAS40) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 40.
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Investment Property (IAS40) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 40.
IFRS 3 (AC 140)	Business combinations	Entire standard	Y	1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. 2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3.	1) Although this exemption has been adopted, the municipality is of the opinion that no adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Non-current assets held for sale and discontinued operations (IFRS 5) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of IFRS 5.

IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	N	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Financial instruments: disclosure (IFRS 7) by 30 June 2008.	No adjustments to the AFS are required as the municipality already complies with the requirements of IFRS 7.
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APPENDICES

Appendix A: Schedule of External Loans

APPENDIX A SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008									
External loans	Loan number	Redeemable	Balance at 30 June 2007	Received during the period	Redeemed written off during the period	Unamortised discount on loans	Balance at 30 June 2008	Carrying value of PPE	Other costs in accordance with the MFMA
STOCK LOANS			R	R	R		R	R	R
Stock loan @ 8.00%	3/82	2007/12/31	333	-	9 000	8 667	-	-	-
Stock loan @ 16.75%	-	2008/12/31	132 000	-	-	-	132 000	-	-
Stock loan @ 8.00%	1/84	2008/12/31	506	-	-	(323)	183	-	-
Stock loan @ 12.50%	1/93/94	2009/03/13	41 740	-	-	-	41 740	-	-
Stock loan @ 15.00%	1/89/90	2009/12/31	7 199	-	-	(2 495)	4 704	-	-
Stock loan @ 14.75%	1/92/93	2009/06/29	42 765	-	-	-	42 765	-	-
Stock loan @ 15.00%	1/97	2012/12/31	12 025	-	-	(1 422)	10 603	-	-
Stock loan @ 15.00%	2/97	2012/12/31	6 246	-	-	(739)	5 507	-	-
Stock loan @ 15.00%	1/99	2013/12/31	4 511	-	-	(347)	4 165	-	-
Stock loan @ 15.00%	2/99	2015/12/31	92 500	-	-	-	92 500	-	-
Stock loan @ 15.00%	2/2000/01	2015/11/01	13 538	-	-	-	13 538	-	-
Stock loan @ 15.00%	1/2000/01	2015/07/20	92 308	-	-	-	92 308	-	-
Stock loan @ 15.00%	4/2000/01	2015/03/01	13 847	-	-	-	13 847	-	-
Stock loan @ 15.00%	1/2001/02	2016/10/01	178 462	-	-	-	178 462	-	-
Stock loan @ 15.00%	2/2001/02	2016/10/01	36 924	-	-	-	36 924	-	-
Stock loan @ 15.00%	1/2002/03	2018/03/07	61 539	-	-	-	61 539	-	-
Stock loan @ 12.00%	2/2003/04	2018/10/31	30 714	-	-	-	30 714	-	-
Stock loan @ 12.00%	1/2003/04	2018/09/18	81 939	-	-	(3 262)	78 676	-	-
Total long-term loans			849 097	-	9 000	79	840 175	-	-
ANNUITY LOANS									
Eden District Municipality @ 0.00%	-	2009/08/31	376 691	-	162 933	53 678	267 436	-	-
Eden District Municipality @ 0.00%	-	2012/02/28	262 910	-	77 039	37 463	223 334	-	-
Total annuity loans			639 601	-	239 972	91 142	490 770	-	-
LEASES									
Rentworks Africa			443 900	209 474	388 683		264 692	214 282	
Fleet Africa			1 441 398	2 084 064	527 453		2 998 010	2 496 348	
Nashua			145 805	46 809	62 985		129 630	68 108	
Total leases			2 031 104	2 340 348	979 121	-	3 392 331	2 778 738	-
TOTAL EXTERNAL LOANS			3 519 802	2 340 348	1 228 093	91 220	4 723 276	2 778 738	-

Appendix B: Analysis of PPE

ANALYSIS OF PPE AS AT 30 JUNE 2008													
	Cost/revaluation						Accumulated depreciation					Carrying value	Budget additions
	Opening balance	Under construction	Additions	Disposals	Reclassification	Closing balance	Opening balance	Additions	Impairment losses	Disposals	Closing balance		
Land & Buildings													
Land	198 969 280	-	2 700 000	10 788 217		190 881 063	-	-	-	-	-	190 881 063	
Buildings	109 472 091	-	2 394 726	-		111 866 816	20 952 877	3 787 122	-	-	24 739 999	87 126 817	
	308 441 370	-	5 094 726	10 788 217	-	302 747 879	20 952 877	3 787 122	-	-	24 739 999	278 007 880	-
Infrastructure													
Drains	-	9 780 832	10 225 520	-		20 006 352	-	192 928	-	-	192 928	19 813 424	
Roads	85 658 349	9 783 859	23 488 431	-		118 930 638	24 996 110	6 988 733	-	-	31 984 843	86 945 795	
Beach improvements	-	-	-	-		-	-	-	-	-	-	-	
Sewerage mains & Purif	70 061 118	6 566 683	5 927 679	-		82 555 480	21 405 880	3 392 814	-	-	24 798 694	57 756 786	
Electricity mains	87 237 463	-	2 471 879	-		89 709 342	38 519 179	3 587 327	-	-	42 106 506	47 602 836	
Electricity peak load equipment	1 878 267	2 924 031	3 237 950	-		8 040 248	198 084	137 288	-	-	335 372	7 704 876	
Water mains & purification	24 916 878	21 430 592	5 095 559	-		51 443 028	5 441 525	1 638 306	-	-	7 079 831	44 363 197	
Reservoirs - water	9 690 222	-	-	-		9 690 222	3 376 379	484 511	-	-	3 860 891	5 829 332	
Water meters	1 972 026	-	-	-		1 972 026	464 306	121 263	-	-	585 569	1 386 457	
Water mains	65 111 829	-	-	-		65 111 829	23 408 995	3 000 947	-	-	26 409 942	38 701 887	
	346 526 152	50 485 997	50 447 017	-	-	447 459 166	117 810 458	19 544 118	-	-	137 354 575	310 104 591	-
Community assets													
Parks & gardens	2 248 552	-	369 582	-		2 618 134	526 330	108 306	-	-	634 636	1 983 498	
Libraries	3 273 141	-	-	-		3 273 141	595 575	109 105	-	-	704 680	2 568 461	
Recreation grounds	11 404 632	-	653 843	-		12 058 475	1 837 811	536 463	-	-	2 374 275	9 684 200	
Civic buildings	52 120 301	-	-	-		52 120 301	7 108 107	1 737 342	-	-	8 845 449	43 274 852	
	69 046 626	-	1 023 425	-	-	70 070 051	10 067 823	2 491 216	-	-	12 559 039	57 511 012	-
Heritage assets													
Historical buildings	-	-	-	-		-	-	-	-	-	-	-	-
Painting & art galleries	-	-	-	-		-	-	-	-	-	-	-	-
	-	-	-	-		-	-	-	-	-	-	-	-
Total carried forward	724 014 148	50 485 997	56 565 168	10 788 217	-	820 277 096	148 831 158	25 822 456	-	-	174 653 614	645 623 482	-

Appendix B: Analysis of PPE (continues)

ANALYSIS OF PPE AS AT 30 JUNE 2008													
	Cost/revaluation						Accumulated depreciation					Carrying value	Budget additions
	Opening balance	Under construction	Additions	Disposals	Reclassification	Closing balance	Opening balance	Additions	Impairment losses	Disposals	Closing balance		
Total brought forward	724 014 148	50 485 997	56 565 168	10 788 217	-	820 277 096	148 831 158	25 822 456	-	-	174 653 614	645 623 482	-
Housing rental stock													
Housing rental 1	-	-	-	-		-	-	-		-	-	-	-
Housing rental 2	-	-	-	-		-	-	-		-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased assets (Infrastructure)													
Leased assets (Infrastructure)	3 216 309	-	1 641 900	83 242		4 774 968	1 163 398	916 074	-	33 297	2 046 175	2 728 793	-
	3 216 309	-	1 641 900	83 242	-	4 774 968	1 163 398	916 074	-	33 297	2 046 175	2 728 793	-
Other assets													
Landfill sites	-	-	-	-		-	-	-	-	-	-	-	
Office equipment	36 156 237	-	4 428 795	16 506 119		24 078 914	14 505 823	4 204 395	-	10 459 934	8 250 285	15 828 629	
Furniture & fittings	1 133 039	-	143 271	440 653		835 657	460 808	224 909	-	344 155	341 561	494 095	
Bins & containers	282 863	-	-	-		282 863	92 006	37 702	-	-	129 708	153 154	
Emergency equipment	3 847 632	-	-	3 817 632		30 000	1 665 546	197 061	-	1 832 607	30 000	-	
Motor vehicles	13 487 941	-	388 698	4 298 752		9 577 887	6 283 592	1 408 818	-	2 956 706	4 735 705	4 842 183	
Fire engines	2 490 019	-	-	35 000		2 455 019	441 424	188 677	-	14 437	615 663	1 839 356	
Refuse tankers	2 833 208	-	-	1 612 549		1 220 660	643 770	269 131	-	378 884	534 018	686 642	
Computer equipment	7 045 943	-	-	5 569 540		1 476 402	4 037 075	1 029 617	-	4 265 305	801 387	675 016	
Council regalia	1 980	-	-	-		1 980	69	69	-	-	139	1 841	
Conservancy tankers	-	-	-	-		-	-	-	-	-	-	-	
Watercraft	-	-	-	-		-	-	-	-	-	-	-	
	67 278 863	-	4 960 764	32 280 244	-	39 959 382	28 130 113	7 560 380	-	20 252 027	15 438 466	24 520 917	-
Non PPE													
Investment Properties	516 879 080	-	31 373	-		516 910 453	2 270 000	-		-	2 270 000	514 640 453	-
Intangible Assets	6 716 347	-	-	5 545 243		1 171 104	3 272 284	569 523	-	3 267 155	574 652	596 452	
Agricultural Assets	-	-	-	-		-	-	-	-	-	-	-	
	523 595 427	-	31 373	5 545 243	-	518 081 557	5 542 284	569 523	-	3 267 155	2 844 652	515 236 905	-
Total	1318 104 747	50 485 997	63 199 206	48 696 947	-	1383 093 003	183 666 952	34 868 433	-	23 552 479	194 982 907	1188 110 096	-

Appendix B (1): Analysis of PPE (Reconciliation of carrying value)

APPENDIX B(1): PROPERTY, PLANT AND EQUIPMENT										
30 June 2008										
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Investment property	Total
	R	R	R	R	R	R	R	R		R
Carrying values at 1 July 2007	287 488 494	245 280 574	58 978 803	-	55 212 325	-	2 052 912	3 444 064	514 609 080	1 167 066 251
Cost	154 314 193	372 855 321	26 325 921	-	80 314 525	-	201 887	450 764	-	634 462 611
Adjustments/Correction of error	154 127 177	(9 764 289)	42 720 705	-	3 027 912	-	3 014 423	6 265 583	516 879 080	716 270 591
Accumulated depreciation	20 952 876	117 810 458	10 067 823	-	28 130 112	-	1 163 398	3 272 283	2 270 000	183 666 951
-cost/impairment loss	19 946 296	118 328 970	8 785 728	-	29 292 774	-	754 811	525 984	2 270 000	179 904 563
-Correction of error	1 006 580	(518 512)	1 282 095	-	(1 162 662)	-	408 587	2 746 299	-	3 762 388
Acquisitions	5 094 726	50 447 017	1 023 425	-	4 960 764	-	1 641 900	-	31 373	63 199 206
-	-	-	-	-	-	-	-	-	-	-
Adjustment during the year	-	-	-	-	(16 063 574)	-	-	-	-	(16 063 574)
Capital under construction	-	33 921 117	-	-	-	-	-	-	-	33 921 117
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-	-
Depreciation	3 787 122	19 544 118	2 491 216	-	7 560 380	-	916 074	569 523	-	34 868 433
-based on cost	3 787 122	19 544 118	2 491 216	-	7 560 380	-	916 074	569 523	-	34 868 433
-based on revaluation	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals	10 788 217	-	-	-	12 028 218	-	49 945	2 278 088	-	25 144 468
Cost/revaluation	10 788 217	-	-	-	32 280 244	-	83 242	5 545 243	-	48 696 947
Accumulated depreciation	-	-	-	-	20 252 027	-	33 297	3 267 155	-	23 552 479
Impairment losses	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2008	278 007 880	310 104 591	57 511 012	-	24 520 918	-	2 728 793	596 452	514 640 453	1 188 110 099
Cost	148 620 701	457 223 456	27 349 346	-	36 931 471	-	1 760 545	(5 094 479)	31 373	666 822 414
Adjustments/Correction of error	154 127 177	(9 764 289)	42 720 705	-	3 027 912	-	3 014 423	6 265 583	516 879 080	716 270 591
Accumulated depreciation	24 739 999	137 354 576	12 559 039	-	15 438 465	-	2 046 175	574 652	2 270 000	194 982 906
-cost	23 733 418	137 873 088	11 276 944	-	16 601 127	-	2 046 175	(2 171 647)	2 270 000	191 629 105
-Correction of error	1 006 580	(518 512)	1 282 095	-	(1 162 662)	-	-	2 746 299	-	3 353 801

Appendix B (1): Analysis of PPE (Reconciliation of carrying value) continues

APPENDIX B(1): PROPERTY, PLANT AND EQUIPMENT

30 June 2008

	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Investment Property	Total
Reconciliation of Carrying Value	R	R	R	R	R	R	R	R		R
Carrying values at 1 July 2006	120 393 682	211 269 474	16 243 579	-	35 302 993	-	2 605 836	3 519 284	-	389 334 848
Cost	139 839 418	323 236 686	25 823 837	-	68 022 559	-	-	-	-	556 922 500
Correction of error	(1 198 212)	(2 107 732)	(1 113 169)	-	(2 847 469)	-	3 014 423	6 265 583	-	3 013 424
Adjustments	(89 052)	(7 656 557)	(1 651 960)	-	(7 526 986)	-	-	-	-	(16 924 555)
Accumulated depreciation	18 158 472	102 202 923	7 815 129	-	22 345 111	-	408 587	2 746 299	-	153 676 521
-cost	18 340 718	102 721 435	7 832 103	-	26 199 489	-	-	-	-	155 093 745
-Correction of error: Leased Assets							408 587		-	408 587
-Correction of error: Residual Values	(182 246)	(518 512)	(16 974)	-	(3 854 378)	-	-	2 746 299	-	(1 825 811)
Acquisitions	5 827 384	38 682 139	502 084	-	12 959 642	-	201 887	450 764	-	58 623 900
Capital under construction	8 647 391	10 936 496	-	-	-	-	-	1 150 350	-	20 734 237
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-	-
Depreciation	1 605 578	15 607 535	953 625	-	3 694 270	-	754 811	525 984	-	23 141 803
-based on cost	1 605 578	15 607 535	953 625	-	3 694 270	-	754 811	525 984	-	23 141 803
-based on revaluation	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	66 691	-	-	-	-	66 691
Cost/revaluation	-	-	-	-	667 676	-	-	-	-	667 676
Accumulated depreciation	-	-	-	-	600 985	-	-	-	-	600 985
Carrying values at 30 June 2007	133 262 879	245 280 574	15 792 038	-	44 501 674	-	2 052 912	4 594 414	-	445 484 490
Cost	154 314 193	372 855 321	26 325 921	-	80 314 525	-	201 887	1 601 114	-	635 612 961
Adjustments + Correction of errors	(1 287 264)	(9 764 289)	(1 765 129)	-	(10 374 455)	-	3 014 423	6 265 583	-	(13 911 131)
Accumulated depreciation	19 764 050	117 810 458	8 768 754	-	25 438 396	-	1 163 398	3 272 283	-	176 217 339
-cost	19 946 296	118 328 970	8 785 728	-	29 292 774	-	754 811	525 984	-	177 634 563
-Correction of error	(182 246)	(518 512)	(16 974)	-	(3 854 378)	-	408 587	2 746 299	-	(1 417 224)

Appendix C: Segmental analysis of PPE

APPENDIX C
SEGMENTAL ANALYSIS OF PPE
30 JUNE 2008

SEGMENTAL ANALYSIS OF PPE													
30 JUNE 2008													
	Cost						Accumulated depreciation						Carrying value
	Opening balance	Additions	Under construction	Disposals	Reclassification	Closing balance	Opening balance	Additions	Impairment losses	Disposals		Closing balance	
										Depreciation	Impairment losses		
Municipal Manager	8 293 991	129 814	-	5 196 752		3 227 054	5 246 925	1 030 976		4 941 936		1 335 964	1 891 089
Manager Financial Services	3 285 119	514 648	-	709 142		3 090 625	951 029	719 026		275 182		1 394 873	1 695 752
Manager Technical Services	3 426 774	45 767	-	1 609 167		1 863 374	1 022 966	367 111		336 194		1 053 883	809 491
Electricity - Administration	58 547 742	367 084	-	1 436 117		57 478 709	37 133 207	2 215 370		1 309 423		38 039 154	19 439 555
Electricity - Distribution	45 344 882	6 380 240	3 231 911	1 101 299		53 855 734	5 396 088	2 645 927		809 443		7 232 572	46 623 162
Manager Corporate Services	849 713 745	3 448 639	-	12 096 227	-	841 066 157	21 918 608	4 987 370		1 191 982		25 713 995	815 352 162
Sewerage	81 242 255	6 083 881	6 566 683	9 034 172		84 858 648	25 712 947	4 229 773		4 186 882		25 755 839	59 102 810
Streets and Stormwater	82 841 289	33 725 747	19 256 811	2 942 728		132 881 120	24 980 464	7 277 338		1 692 556		30 565 245	102 315 874
Water	111 882 199	6 839 257	21 430 592	3 994 459		136 157 589	35 768 537	6 542 211		2 662 356		39 648 392	96 509 196
Cleansing Services	6 635 635	1 488 302	-	2 219 670		5 904 267	2 828 723	626 204		857 395		2 597 532	3 306 735
Health Services	3 704 201	-	-	811 476		2 892 725	1 540 644	108 881		811 476		838 049	2 054 676
Parks, Recreation and Sport Ground	17 534 427	1 329 107	-	1 540 405		17 323 129	4 438 734	1 304 915		934 143		4 809 506	12 513 623
Beaches, C/ Park and Chalets	25 084 559	340 962	-	4 326 040		21 099 481	11 466 286	969 477		2 222 555		10 213 208	10 886 273
Fire Services	5 551 232	64 567	-	406 598		5 209 200	1 966 135	507 489		323 863		2 149 762	3 059 438
Public Safety	7 832 963	725 779	-	1 215 922		7 342 820	2 407 920	706 473		972 501		2 141 893	5 200 927
Manager Community Services	7 183 733	1 715 410	-	56 772		8 842 372	887 740	629 890		24 592		1 493 038	7 349 334
TOTAL	1318 104 747	63 199 206	50 485 997	48 696 947		1383 093 003	183 666 952	34 868 433	-	23 552 479		194 982 907	1188 110 096

Appendix D: Segmental analysis of Statement of Financial Performance

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008						
2007	2007	2007		2008	2008	2008
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
40 013 909	80 612 944	(40 599 035)	Municipal Manager	37 325 530	42 049 945	(4 724 415)
352 408	5 791 577	(5 439 169)	Manager Corporate Services	719 142	9 974 686	(9 255 544)
-	-	-	Socio Economic Plan and Dev	22 118	1 976 646	(1 954 528)
1 068 619	2 988 834	(1 920 215)	Land and Buildings	1 296 299	3 646 054	(2 349 756)
105 177	2 893 472	(2 788 295)	Libraries	453 388	3 450 009	(2 996 622)
41 029 015	9 950 865	31 078 150	Manager Financial Services	44 536 170	11 152 289	33 383 880
4 105 177	3 431 064	674 114	Manager Technical Services	6 220 141	4 241 281	1 978 860
119 503 841	78 524 906	40 978 934	Electricity	126 821 221	85 923 749	40 897 472
19 672 205	28 258 438	(8 586 233)	Streets	8 294 003	29 344 428	(21 050 425)
43 701 369	25 655 825	18 045 544	Sewerage	50 179 875	29 637 861	20 542 014
54 229 262	43 111 918	11 117 344	Water	66 254 731	46 234 306	20 020 425
174 528	2 522 407	(2 347 879)	Manager Community Services	886 562	2 192 741	(1 306 179)
6 903 088	7 548 075	(644 987)	Caravan Parks and Chalets	5 373 899	6 660 261	(1 286 363)
78 183	452 624	(374 441)	Cemeteries	87 381	522 171	(434 791)
19 763 265	20 640 483	(877 218)	Cleansing	27 556 505	26 726 266	830 240
10 436 053	10 797 012	(360 959)	Housing	12 579 926	15 066 062	(2 486 136)
10 423 864	16 552 166	(6 128 302)	Public Safety and Rescue Services	7 185 683	18 628 940	(11 443 257)
531 178	13 329 755	(12 798 577)	Parks and Recreation	294 926	13 390 198	(13 095 272)
372 091 140	353 062 366	19 028 774	Sub Total	396 087 500	350 817 893	45 269 606
4 081 018	3 016 525	1 064 493	Health (Discontinued operations)	281 758	420 212	(138 454)
376 172 157	356 078 891	20 093 267		396 369 258	351 238 106	45 131 152
	(686 496)	686 496	Less inter-dep charges		(1 345 526)	1 345 526
376 172 157	356 765 387	19 406 770	Total	396 369 258	352 583 632	43 785 626

Appendix E (1): Actual vs Budget (Revenue + Expenditure)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008					
REVENUE	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of significant variance greater than 10% versus budget
Property rates	39 412 827	39 029 531	383 296	1.0%	
Property rates - penalties imposed & collection charges	2 155 837	1 500 000	655 837	43.7%	Income higher than was budgeted for.
Service charges	224 417 182	227 544 404	(3 127 222)	-1.4%	
Rental of facilities & equipment	1 322 650	1 101 662	220 988	20.1%	Redemption on leased assets transferred to external borrowings.
Interest earned - external investments	23 715 122	18 610 495	5 104 627	27.4%	Better Cash flow, creating opportunities to invest.
Interest earned - unamortised discount	2 711	-	2 711		
Interest earned - outstanding debtors	522 081	611 642	(89 561)	-14.6%	Bad debts of R19m was written of during the year, therefor less interest received.
Dividends received	-	-	-		
Fines	2 757 715	5 039 586	(2 281 871)	-45.3%	Fines under collected
Licences and permits	4 257 088	3 727 383	529 705	14.2%	Increase in motor vehicle registrations.
Income for agency services	-	-	-		
Government grants and subsidies	47 077 652	66 265 954	(19 188 302)	-29.0%	R36 280 000 claimed for Flood damages during 07/08 year included in budget, but not yet received. An amount of R63 312 476 was budgeted for in the Statement of Financial Performance for Contr. From Surplus Acc and R14 806 420 for Contr. From Land Sales which was transferred through the Statement of Changes in Net Assets.
Other income	38 654 505	113 825 062	(75 170 557)	-66.0%	
Public contributions, donated/contributed PPE	10 595 524	4 209 600	6 385 924	151.7%	Item budgeted through the capital budget not transferred to revenue during budget process.
Gains on disposal of PPE	1 196 604	140 000	1 056 604	754.7%	Insufficiently budgeted.
Total Revenue	396 087 500	481 605 319	(85 517 819)	-17.8%	
EXPENDITURE					
Employee-related costs	101 581 414	108 144 753	(6 563 339)	-6.1%	
Remuneration of Councillors	4 896 255	5 016 116	(119 861)	-2.4%	
Bad debts	6 579 972	8 000 000	(1 420 028)	-17.8%	Provision for bad debts in the 2006/07 financial year was sufficient.
Collection costs	5 350 034	6 415 000	(1 064 966)	-16.6%	Forecast on adjusted budget not fully realised.
Depreciation	34 277 274	9 474 643	24 802 631	261.8%	Amount of R20 227 353 Offset of Depreciation subtracted from the budget amount. Assets not classified as Intangible assets as per the GRAP standard transferred to Other Assets.
Amortisation - Intangible Assets	569 523	707 931	(138 408)	-19.6%	
Repairs and maintenance	30 706 588	33 595 505	(2 888 917)	-8.6%	
Interest on external borrowings	653 875	472 688	181 187	38.3%	Implementation of IAS 39 - Financial Instruments
Bulk purchases	57 157 031	65 338 252	(8 181 221)	-12.5%	Expected increases in electricity tariffs did not realise during the 07/08 financial year.
Contracted services	17 294 692	18 242 588	(947 896)	-5.2%	
Grants and subsidies paid	2 958 645	7 923 628	(4 964 983)	-62.7%	Not as many applications received for subsidies on service charges as was anticipated.
General expenses - other	76 110 367	215 129 721	(139 019 354)	-64.6%	Capital grants of R30 017 771, Capital Replacement Reserve of R78 628 340, Trf. Land Sales R15 000 000, Trf. External Services R10 000 000 budgeted in the Statement of Financial Performance was transferred through the Statement of Changes in Net Assets.
Loss on disposal of PPE	14 182 815	-	14 182 815		
Total Expenditure	352 318 485	478 460 825	(126 142 340)	-26.4%	
Surplus for the year from discontinued operations	16 612	158 598	(141 986)	-89.5%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	43 765 626	3 303 092	40 462 534	1225.6%	

Appendix E (2): Actual vs Budget (Acquisition of PPE)

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2008							
	2008 Actual R	2008 Total Additions R	2008 Under construction R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of significant variances greater than 5% versus budget
Land and Buildings							
Land	2 700 000	2 700 000	-	59 280	(2 640 720)	-4454.66%	Due to the implementation of the GAMAP standards, assets was recognised on the Financial Statements during the 2007/08 financial year, to ensure compliance with the applicable GAMAP standards.
Buildings	2 394 726	2 394 726	-	13 833 959	11 439 233	82.69%	
	5 094 726	5 094 726	-	13 893 239	8 798 513	63.33%	
Infrastructure							As this transactions are non-cash funded it did not have an effect on the Cashflow. This has the same effect on all PPE.
Drains	20 006 352	10 225 520	9 780 832	7 314 188	(12 692 164)	-173.53%	
Roads	33 272 289	23 488 431	9 783 859	24 450 617	(8 821 672)	-36.08%	
Beach improvements	-	-	-	-	-	-	
Sewerage Mains & Purif	12 494 362	5 927 679	6 566 683	6 299 818	(6 194 544)	-98.33%	
Electricity Mains	2 471 879	2 471 879	-	10 381 905	7 910 026	76.19%	
Electricity peak load equip	6 161 981	3 237 950	2 924 031	27 976 254	21 814 273	77.97%	
Water mains & purification	26 526 151	5 095 559	21 430 592	-	(26 526 151)	-	
Reservoirs - Water	-	-	-	-	-	-	
Water meters	-	-	-	-	-	-	
Water mains	-	-	-	-	-	-	
	100 933 014	50 447 017	50 485 997	76 422 782	(24 510 232)	-32.07%	
Community Assets							
Parks & Gardens	369 582	369 582	-	463 959	94 377	20.34%	
Libraries	-	-	-	684 978	684 978	100.00%	
Recreation grounds	653 843	653 843	-	1 116 592	462 749	41.44%	
Civic buildings	-	-	-	-	-	-	
	1 023 425	1 023 425	-	2 265 529	1 242 104	54.83%	
Heritage assets							
Historical buildings	-	-	-	-	-	-	
Painting & art galleries	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
Total carried forward	107 051 165	56 565 168	50 485 997	92 581 550	(14 469 615)	-15.63%	

Appendix E (2): Actual vs Budget (Acquisition of PPE) continued

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2008							Explanation of significant variances greater than 5% versus budget
	2008 Actual R	2008 Total Additions R	2008 Under construction R	2008 Budget R	2008 Variance R	2008 Variance %	
Total brought forward	107 051 165	56 565 168	50 485 997	92 581 550	(14 469 615)	-15.63%	
Housing rental stock							
Housing rental 1	-	-	-	-	-		
Housing rental 2	-	-	-	-	-		
	-	-	-	-	-		
Leased assets (Infrastructure)							
Leased assets (Infrastructure)	1 641 900	1 641 900	-	-	(1 641 900)		
	1 641 900	1 641 900	-	-	(1 641 900)		
Other assets							
Landfill sites	-	-	-	272 000	272 000	100.00%	
Office equipment	4 428 795	4 428 795	-	6 052 745	1 623 950	26.83%	
Furniture & fittings	143 271	143 271	-	-	(143 271)		
Bins & containers	-	-	-	-	-		
Emergency equipment	-	-	-	-	-		
Motor vehicles	388 698	388 698	-	1 060 637	671 939	63.35%	
Fire engines	-	-	-	-	-		
Refuse tankers	-	-	-	1 396 555	1 396 555	100.00%	
Computer equipment	-	-	-	-	-		
Councillors regalia	-	-	-	-	-		
Conservancy tankers	-	-	-	-	-		
Watercraft	-	-	-	-	-		
	4 960 764	4 960 764	-	8 781 937	3 821 173	43.51%	
Non PPE							
Investment Properties	31 373	31 373	-	-	(31 373)		
Intangible Assets	-	-	-	-	-		
Agricultural Assets	-	-	-	-	-		
	31 373	31 373	-	-	(31 373)		
Total	113 685 203	63 199 206	50 485 997	101 363 487	(12 321 716)	-12.16%	

Appendix F: Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
GRANTS AND SUBSIDIES RECEIVED												
Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
CAPITAL GRANTS												
NER- ELECTRIFICATION	NER	1,040,303.57					500,038.04		115,789.83	2,308,203.27		(1,883,727.57)
GLENTANA CARAVAN PARK ABLUTION	Public Contribution			279,570.00				320,289.44	7,610.56			(48,330.00)
REPLACE STORM WATER - RESTAURANT GLENTANA	MIG	4,111,937.61					3,286,932.15	3,299,640.35				(2,474,634.89)
GLENTANA DRIVE STORM WATER	MIG	2,913,718.16					212,246.29	151,042.57	1,218,794.45	1,307,295.42		24,339.43
GBR - UPGRADE SEWER PLANT	MIG	841,817.89		400,000.00			975,466.26	503,047.17	332,379.91	1,292,127.42		(1,861,202.87)
KLEIN BRAK - ENLARGE WATER TREATMENT	District Municipality			3,142,951.97	919,300.12	937,747.90	1,958,199.06	1,960,315.90	1,367,262.34	16,144,814.31		(16,430,591.62)
SLIPWAY AND ROADS - WOLWEDANS	Masibambani / MIG		88,194.00			435,000.00	370,430.09	198,054.19	760,631.22	1,158,660.33		(1,964,581.83)
AZIZANI/ZINYOKA WATER SYSTEM	MIG	900,000.00		200,000.00	417,213.00		159,900.00	2,015,846.82	592,023.12	1,027,379.72		(2,277,936.66)
ELUXOLWENI CRECHE	Garden Route Casino			149,232.46				124,729.98	24,502.48			(0.00)
SONSKYNVALLEI CRECHE	Garden Route Casino			367,754.26		101,398.25		320,385.43	115,032.21	34,600.00		(865.13)
RUITERBOS INFRASTRUCTURE	District Municipality	3,821.00						126,960.82				(123,139.82)
GBR/WOLWEDANS PROJECT	Department of Housing		87,257.91				123,803.44	552,162.04	271,515.10	244,679.41		(1,104,902.08)
BRANDWAG SPORT FIELDS	PAWC	123,777.78								123,777.78		-
SPORT FACILITIES - VAN RIEBEECK STADIUM	PAWC	3,159.13								67,447.33		(64,288.20)
F STEENKAMP - MOSSDUSTRIA	Public Contributions		29,771.77				23,844.25		5,927.52			-
MOSSGASS	Public Contributions	76,485.03							76,485.03			-
A VISSER	Public Contributions			82,378.54						82,378.54		0.00
KINANI SERVICE CENTRE	Public Contributions	115,478.40					104,033.78		11,444.62			(0.00)
VELVET MOON DEVELOPMENT	Public Contributions	9,231.16							9,231.16			-
AZIZANI/ZINYOKA INFRASTRUCTURE	Department of Housing	307,126.84					104,530.95	74,001.62	24,370.06	104,977.01		(752.80)
HARTENBOS TENNIS CLUB - FLOODLIGHTS	Pubic Contribution				72,097.70				62,236.70	9,861.00		-
POWERTOWN INFRASTRUCTURE	Department of Housing				51,177.25				51,177.25			-
HOME OWNERS EDUCATION (CASH DONATION)	George Municipality					19,400.00		229.17	10,159.94	11,047.42		(2,036.53)
AZIZANI/ZINYOKA BULK SEWERAGE SYSTEM	MIG					471,000.00				251,665.06		219,334.94
KWANONQABA - DONATED PPE	PAWC					2,700,000.00				2,700,000.00		-
HOME OWNERS EDUCATION (PPE DONATION)	George Municipality					4,129.00				4,129.00		-
TOTAL CAPITAL GRANTS		10,446,856.57	205,223.68	4,621,887.23	1,459,788.07	4,668,675.15	7,819,424.31	9,646,705.50	5,056,573.50	26,873,043.02	-	(27,993,315.63)

Appendix F: Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

APPENDIX F DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 GRANTS AND SUBSIDIES RECEIVED												
Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withhel d	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
OPERATIONAL GRANTS												
UPGRADING HOUSES ASLA PARK - Topstructures	Department of Housing			3,904,537.00				3,904,537.00				-
FRIEMERSHEIM HOUSING PROJECT	Department of Housing	42,243.24								42,243.24		-
KWA/ELANGENI - PHP PROJECT	Department of Housing		2,710,489.09	2,133,617.00			2,237,554.85	853,371.93	497,400.00			1,255,779.31
CAPACITY BUILDING	District Municipality		71,849.00						50,671.93	59,400.00		(38,222.93)
LGWSETA SKILLS DEVELOPMENT	SETA	813,862.41		110,189.89	89,536.12	39,695.86		373,456.49	17,326.21	253,145.06		409,356.52
FINANCE MANAGEMENT GRANT	NATIONAL	742,296.94	500,000.00				356,032.36	181,086.40	184,952.48	51,086.40		469,139.30
EQUITABLE SHARE - ALL	NATIONAL		5,685,405.00	4,264,054.00	7,106,756.00		2,347,302.36	5,613,937.52	4,002,492.28	5,092,482.84		0.00
RELIEF CHARITABLE FUND	Public Contribution	5,825.44	106,000.00	500.00			40,976.85	16,594.00	6,345.21	16,058.10		32,351.28
SUBSIDY NEWS LETTERS - M-Bay	PAWC - Culture Affairs & Sport				1,686.83		347.36	257.37	1,242.02	1,384.73	1,544.65	-
SUBSIDY NEWS LETTERS - D'Almeida	PAWC - Culture Affairs & Sport				1,367.73		385.96		823.51	775.16	616.90	-
SUBSIDY NEWS LETTERS - G/Brak	PAWC - Culture Affairs & Sport				1,040.52		305.88		395.17	339.47		(0.00)
SUBSIDY NEWS LETTERS - Greenhaven	PAWC - Culture Affairs & Sport				299.92		305.88		395.17	531.43	932.56	-
SUBSIDY NEWS LETTERS - Hartenbos	PAWC - Culture Affairs & Sport				935.89		253.77	247.90	201.32	232.90		0.00
SUBSIDY NEWS LETTERS - Kwanongaba	PAWC - Culture Affairs & Sport				1,845.96		385.96	558.68	623.22	775.16	497.06	-
CONDITIONAL GRANT-LIBRARY SERVICES	PAWC - Culture Affairs & Sport		77,629.75	77,629.75	153,804.80		145,433.18	153,287.02	181,241.72	181,789.53		(352,687.15)
SUBSIDY MAIN ROADS	PAWC								906,117.22		724,893.78	(181,223.44)
FLOOD DAMAGE - CLEANSING BEACHES	District Municipality (R26400) + Petro SA (R4000000)				1,406,581.35	1,999,307.25			1,380,181.35	2,344,294.86	318,587.61	-
HEALTH SUBSIDY	PAWC		249,539.25	32,219.11			69,109.41	39,897.02	795.00			171,956.93
SPATIAL PLANNING	PAWC			125,000.00			24,945.86	30,229.00		19,377.30		50,447.84
GBR - MASTER ELECTRICAL PLAN	Department of Housing					63,000.00				75,980.94		(12,980.94)
METER AUDIT + MAINTENANCE STRATEGY	Masibambani				76,500.00				9,774.17	153,508.77		(86,782.94)
HOME OWNERS EDUCATION	Department of Housing				50,426.51				6,602.69	7,388.73		36,435.09
HOUSING TRANSFER COSTS	Department of Housing									64,050.00	64,050.00	-
SOCIO-ECON. PLANNING/DEVELOPMENT	District Municipality					60,000.00				22,118.02		37,881.98
HOUSING OPERATING BALANCE	PAWC										1,098,847.00	1,098,847.00
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	PAWC					400,000.00				19,575.00		380,425.00
TOTAL OPERATING GRANTS		1,604,228.03	9,400,912.09	10,647,746.75	8,890,781.63	2,562,003.11	5,223,339.68	11,167,460.33	7,247,580.67	8,406,537.64	2,209,969.56	3,270,722.85
GRAND TOTAL		12,051,084.60	9,606,135.77	15,269,633.98	10,350,569.70	7,230,678.26	13,042,763.99	20,814,165.83	12,304,154.17	35,279,580.66	2,209,969.56	(24,722,592.78)

CHAPTER 6

FUNCTIONAL AREA SERVICE DELIVERY REPORTS

1. Civil Engineering Services

ACTING DIRECTORS: N LIEBENBERG / H CALITZ

1.1 Overview

As will be noted from the above, the Directorate Civil Engineering Services was managed on an acting basis for most of the 2007/2008 financial year, following the departure of its Director in August 2007. A replacement was appointed and accepted but the person eventually reneged on his agreement with Council after postponing his duty commencement date several times.

The management situation obviously placed the Directorate under great pressure. It nevertheless achieved an expenditure rate of 97,91% of the planned capital expenditure of R43 904 570 on the planned projects included in the Integrated Development Plan for the 2007/2008 financial year.

The personnel shortage was again the biggest obstacle faced by this Directorate. The growth in personnel numbers has unfortunately not kept pace with the rapid growth of the Mossel Bay municipal area, and extensive reporting requirements on a range of subjects by the Provincial and National government. A functional analysis was done by an external company to revise the workload distribution within the department and to realign the organogram to distribute the workload better.

Due to the shortage of senior technical staff, staff again had to rely heavily on the integrity of consulting engineering companies, appointed by private developers for new property developments, to ensure that standards are met at the placement of new infrastructure.

The uncertainty about the Municipality's water quotas from the Department of Water Affairs has been cleared up. Delays caused by this issue in the previous year are therefore not obstructing the issuing environmental Records of Decision (ROD's) for new property developments.

The Sub-Directorate Town Planning and Building Control was also moved back to the Community Services Directorate for the last four months of the year under review.

1.1.1. Staff Complement

The staff complement of the Directorate and its cost to the Municipality over the last two financial years were follows:

			2006/2007	2007/2008
TYPE	TOTAL COST	NUMBER	TOTAL COST	
Professional		4		4

Field staff		5		5
Supervisors		28		28
Administrative		0		0
Workers		82		82
TOTAL	R10 799 566	119	R11 677 358	119

1.1.2 Equipment

The table below reflects the equipment used by the Directorate:

The equipment is used mainly for maintenance services. Contractors do all construction work for new services. Any additional equipment needed is hired from local contractors in terms of yearly tenders put out by the Municipality.

Pick-up trucks used by the Municipality are hired on a 5-year lease and are therefore in a fairly good condition.

	2005/6	2006/07	2007/8
Pick-up Trucks	19	19	19
Tippers	3	3	3
Tractors	4	4	4
Diggers/Loaders	2	2	2
TOTAL	33	33	33

1.2 Operational Engineering Services

The Sub-Directorate Operational Engineering Services is responsible for managing existing civil services, which include roads and storm water systems as well as the water supply and sewer networks. It also includes the approval of service plans for new developments and the general inspection of the installation of these services by developers.

1.2.1 Roads and Storm Water

Mossel Bay proportionally still experiences a very high property development rate, and as a result, the road systems under the management of the Municipality continue to expand. This increases the Municipality's responsibility to maintain all old and new infrastructure.

The table below shows how the roads under the Municipality's control have grown over the past three years:

ROAD TYPES	2005/6	2006/07	2007/8
Paved in km	370	376	383
Gravel in km	38	37	27
Block-paved in km	8	8	12,7
Concrete in km	1,2	1,2	1,2

The provision and maintenance of storm water systems is still a cause for concern in the various townships. These systems are very costly and because of the low staff-to-pipeline ratio at the Municipality at present, it is difficult to stay ahead with the maintenance of pipelines. The Municipality therefore concentrates mainly on ad hoc repairs of the pipelines.

Repairs are still being done to infrastructure damaged by the 2006 floods. This includes a concrete structure and other protection works at an estimated cost of R15 million at Glentana. Because of the high cost of this project, no other storm water capital projects were undertaken.

Not enough funds can be allocated to repair all damaged areas and upgrade underdeveloped storm water systems. The 2006 flood proved that the following major storm water systems were inadequate to handle a 1-in-50 year storm. The systems, with the estimated costs to upgrade them in brackets, are listed below:

1. Canal through Glentana Caravan Park (R5,8m).
2. Structure at Seekat Street (R3,3m).
3. Structure at Skuiling Street (R2,7m).
4. Seesig Road Ravine (R0,5m).
5. Outeniqua Bluff (R2,4m).
6. Duiker Avenue (R3,6m).

Upgrading will be done as funds, either Council's own or other grants, become available.

1.2.2 Key Performance Areas

The key performance areas of the Sub-Directorate for the year were:

1.2.2.1 Repair Storm Water Damage Restaurant Area Glentana

This project was carried over from the previous year and needed another R6 million to complete. It was completed before December 2007.

1.2.2.2 Hoogekraal Structure

This reinforced concrete structure is approximately 21 metres tall, the equivalent of a 7-storey building. Its main function is to reduce the speed of floodwaters to prevent erosion and damage to property downstream. R10 million was spent during the financial year to the end of June 2008 and the project is 50 per cent complete.

1.2.2.3 Bergsig Storm Water System

The upgrading of the Bergsig/Sandhoogte storm water system to prevent flooding of private property along Sandhoogte road was completed at a cost of R2,8 million. Contractors registered in terms of the Extended Public Works Programme executed the contract.

1.2.2.4 Pedestrian Walkways: Mayixhale Street and Greenhaven

These walkways were constructed at a cost of R1,7 million.

1.2.2.5 Resealing of Streets

An amount of R8 million was allocated to reseal streets throughout the Mossel Bay municipal area. Approximately 100 000 square metres of major roads were resealed at a cost of R3,6 million, using the Micropave method. The chip-and-spray method was used to reseal 170 000 square metres of streets in residential areas at a total cost of R4,4 million.

1.2.3 **Operating Budget**

The 2007/2008 operating budget of the Sub-Directorate was as follows:

Streets and Storm Water	R23 505 810
Water Network	R39 138 724
Sewer Network	R31 649 024

1.2.4 **Maintenance Cost Budget**

The maintenance cost budget for the Sub-Directorate over the past three financial years is shown below:

	BUDGET 2005/2006	BUDGET 2006/2007	BUDGET 2007/2008
Streets and Storm Water	R2 838 000	R12 080 000	R15 646 000
Water Network	R558 200	R605 500	R648 500
Sewer Network	R182 000	R334 000	R544 000

1.2.5 **Water and Sewer Networks**

Water pipelines that are too small in the older residential areas need to be upgraded to meet the increasing demands. Approximately one kilometer of pipeline still needs to be replaced at a cost of approximately R300 000.

The older pipes lines become the more breakages occur and the Municipality budgets for this annually. The budget needed for this can only be estimated a year or two in advance.

Certain sewer pipes become oval under earth pressure and need replacing. The replacement of sewer pipes can most of the times not be determined more than a year in advance. No pipes were replaced during the 2007/2008 financial year.

The following table provides details of activities in the above regard:

WATER	2005/2006	2006/2007	2007/2008
New connections	589	508	489
Burst pipes repaired	172	173	175
SEWERAGE			
New Connections	368	289	282
Stoppages Opened	2 162	2 568	2 541

The decline in the number of new water connections can be attributed to the fact that less group housing developments were completed during the review year.

1.3 Planning, Project Management and Bulk Services

1.3.1 Overview

The problems that affected this Sub-Directorate adversely in previous financial years, namely a shortage of skilled personnel and time constraints, repeated themselves to a large extent in the 2007/2008 financial year. The wide range and quantity of reporting requirements imposed on Municipalities by the National as well as Provincial Governments also influenced the operation of the Sub-Directorate negatively.

The situation was exacerbated further by the fact that the workload of the head of the Sub-Directorate increased when he also acted as Director of Civil Engineering Services for a period of six months and the technician who managed the project management component resigned in April 2008. The planning component of the Sub-Directorate could therefore not be given the attention it deserves.

The unit nevertheless fared well as will be noted below, inter alia, from data provided for the purification of water and sewerage and project completion or progress.

1.3.2 Project Management

The technician responsible for project management, resigned in April 2008. As this unit consists of only one person, the Head of the Sub-Directorate also had to assume sole responsibility for project management activities for the remainder of the year.

The value of capital projects managed within this section was R31 387 890, which excludes the management and control of civil engineering infrastructure works for housing projects such as at the Wolwedans housing project. Civil engineering work sponsored by the national oil company, PetroSA, are also excluded.

The Extended Public Works Programme (EPWP) for learner contractors ended in June 2008. The six contractors completed contracts with a total value of R8 492 227 in the year under review, bringing the total value of projects completed by them since the start of the programme in 2005 to R17,8 million.

This was in line with the National Government's vision of providing sufficient training opportunities for these learners. The learners will receive an exit strategy project in the 2008/2009 financial year.

1.3.3 Bulk Services: Sewage

This Sub-Directorate is responsible for the operation of all sewerage pump stations, bulk effluent pipelines and all six effluent purification plants of the Municipality.

During the 2007/2008 financial year this section employed 37 people at a cost of R4 863 540 to the Municipality. The total operational cost of this function was R13 371 239 for this period.

Areas such as Midbrak and Great Brak River are serviced by closed septic tank systems, which are emptied regularly by local private contractors. This Sub-Directorate is, however, investigating the upgrading of the main arteries of a system according to the sewer master plan.

This will enable any new developments as well as existing residential units to connect to full water-borne systems over the next few years.

Almost all of the formally developed areas in the old Mossel Bay area are serviced by water-borne, flush sanitation systems.

A strategic objective of this Sub-Directorate is the protection of the environment, which is influenced by the workings and discharges from of all wastewater works and sewer pump stations.

The key issues for the 2007/2008 financial year were:

- The improvement of telemetric control systems for the monitoring and control of sump levels and pump workings, which was done to improve control from any of several of the computers on this system. This will improve monitoring from any of the 24-hour manned water and sewer treatment plants.
- The upgrading of the sewerage treatment plant at Great Brak River.

1.3.4 Bulk Services: Water

This activity involves the bulk purchase, purification and distribution of potable water. It includes all storage dams, water pump stations and main lines to and from all purification facilities, up to the reservoirs.

In the financial year up to 30 June 2008, a total of 50 people were associated with the water distribution function at a cost of R8 425 951,33. The total operational cost of this function was R35 976 467 for this period.

The key issues for this financial year were:

- The upgrading of the Little Brak River water purification plant from a 30-megalitre plant to a 45-megalitre plant. This upgrading became necessary because of the high seasonal peak demand in December and January.

It is envisaged that this plant will require no more major structural work as new technology will improve the effectiveness of purification processes at the plant. This project was spread over two financial years due to the limits placed by the National Treasury on capital budget increases. The budgeted expenditure for the 2007/2008 financial year of R22 million was achieved. The next phase of work to the value of approximately R23,5 million will take the total project cost to R45,5 million.

- Cross linking of bulk water infrastructure. This will reduce the risk of loss of supply through the municipal supply lines from the Ernst Robertson Dam to the Sandhoogte plant, as well enable the piping of purified water from Sandhoogte to Great Brak River.
- The improvement of telemetric control systems for the monitoring and control of sump levels and pump workings was done to allow for better control from any of several of the computers on this system. This will improve monitoring control from any of the 24-hour manned water and sewer treatment plants.

1.3.4.1 Water Purification and Sales.

The unit functioned well during this period, as can be seen from the extract below from the Water Audit, which reflects total purification volumes in kilolitres:

	2004/05	2005/06	2006/07	2007/08
Raw Water	8 906 040	10 079 761	10 438 382	10 703 773
Water Purified	8 092 330	8 832 161	9 504 583	9 664 171
Sales	6 388 681	6 982 125	7 614 104	7 426 089
Sewerage Purified	3 518 549	3 515 329	4 066 050	4 080 976

The reason for the apparent drop in water sales could not be confirmed, but is believed to be caused by incorrect data from the computer model used. Corrective measures will be taken to rectify this picture. It is believed that there was a much smaller water loss due to the successful expansion of the telemetry measuring devices and computer systems.

1.3.4.2 Water Quotas

The Municipality draws water from raw water sources according to quotas granted by the Department of Water Affairs. The table below reflects the current quotas:

SOURCE	QUOTA m3/a	USAGE m3/a	AVAILABLE m3/a	AVAILABLE %
Little Brak River	11 800 000	7 776 469	4 023 531	34%
Great Brak River	1 280 000	1 010 895	269 105	21%
Sandhoogte	1 745 304	1 555 090	190 214	11%
Friemersheim Canal	230 000	53 015	176 985	77%
Herbertsdale Boreholes	95 000	67 473	27 527	29%

Even though it seems that there was a surplus of water, most of the water has already been allocated to new developments. New sources of water therefore need to be developed soon.

The table below shows the percentage domestic consumption in the various consumption ranges over the past four financial years.

Monthly Volumes	2004/05	2005/06	2006/07	2007/08
0-6kl	27%	26%	26%	27%
7-30kl	43%	42%	42%	45%
31-45kl	9%	9%	9%	9%
46-60kl	5%	5%	5%	5%
61-80kl	2%	4%	4%	4%
>80kl	15%	14%	14%	10%

It will be noted that the water consumption trends remained steady. The exception is the >80kl household group where consumption decreased by four percent. The Municipality's strategy to introduce a price sliding scale based on consumption levels seems to have paid off dividends in this regard.

1.3.4.3 Percentage Distribution of Water Consumption

Category	2004/05	2005/06	2006/07	2007/08
Domestic	72%	73%	70%	71%
Bulk 1000Kl	9%	9%	6%	11%
< 25mm	8%	11%	11%	9%
Departmental consumption	2%	2%	6%	2%

PetroSA	1%	1%	0%	2%
Sports bodies	1%	1%	1%	1%
Consumption alone	1%	1%	1%	1%
Vleesbaai Dienste	1%	1%	1%	1%

1.3.5 Capital Projects

1.3.5.1 Upgrading of the Little Brak River Water Purification Plant

As was mentioned in 1.3.4 above, the second phase of the upgrading of the Little Brak River water purification plant went on as planned, with the completion date seen in the 2009/2010 financial year.

This upgraded plant should be adequate for the next ten years after completion at a population growth of six per cent per year.

1.3.5.2 Upgrading of the Great Brak River Sewerage Purification Plant

Due to the rapid growth in the Little Brak River area, the Municipality continued with the upgrading of the Great Brak water purification plant from a 0,5-megalitre plant, to an 8-megalitre plant. An amount of approximately R2,4 million was spent during the 2007/2008 financial year to increase the capacity to 1,5 megalitres a day.

The total cost estimate for the project, which will be done in four phases, is R28 million.

Phase Three will start during the 2009/2010 financial year and the complete project should be completed by the end of the 2011/2012 financial year.

On completion, this upgraded plant should be adequate for ten years at a population growth of six per cent per year.

1.3.5.3 Asazani/Izinyoka Bulk Water Project

Bulk water lines were laid to improve the water supply towards the Very High and Jameson reservoirs in Heiderand.

Water from there will serve the new municipal housing project in Asazani/Izinyoka. Almost R3 million was spent on this project.

1.3.5.4 Road construction projects

EPWP learners completed three main road construction projects during this period.

The Wolwedans II entrance road project was started during this period. Roads were paved in the Toekoms township and a pedestrian walkway was built in Mayixhale Street.

1.3.6 EPWP Capital Projects

The Municipality accommodated six EPWP (Expanded Public Works Programme) learner contractors.

They started in December 2005 with labour intensive projects and completed the EPWP program in June 2008:

The table below shows the names of the contractors and projects completed by each in 2007/2008:

LEARNER	ENGINEER	PROJECT	TENDER VALUE (R)	SOURCE
Vigro		Total 2007/08	1 300 000	
	Ninham Shand	Asazani Water Pipeline	1 300 000	Municipal Funds
Raakvat		Total 2007/08	1 324 033	
	Mossel Bay Municipality	Adriaans Drive	24 033	Municipal Funds
	Ninham Shand	Toekoms Roads	1 300 000	PetroSA
Ziyanda		Total 2007/08	1 645 227	
	PDNA	Ruiterbos Roads	345 227	Provincial Gov
	MVD	Lilli Street Development	1 300 000	Municipal Funds
Abenyuki		Total 2007/08	1 740 000	
	Ninham Shand	Asazani Water Pipeline	1 740 000	MIG
Smetana		Total 2007/08	1 145 000	
	Ninham Shand	Wolwedans Streets	1 145 000	Municipal Funds
Vuicani		Total 2007/08	1 338 000	
	Vela VKE	Mayixhale Street Sidewalk	1 338 000	Municipal Funds

1.3.7 MIG Expenditure

Municipal Infrastructural Grants (MIG) are an important source of funding for infrastructural projects of the Municipality, inter alia because of the burden already carried by the ratepayers of Mossel Bay and as State funding for sub-economic housing projects does not cover the high costs towards bulk and other infrastructure for these projects.

The cash flow predictions, actual expenditure by the Municipality, claims submitted to Province, claims substantiated by Province and the receipt of funding from Province are included in the following table:

MONTH	ALLOCATION	CLAIMS	CUMULATIVE ALLOCATION	CUMULATIVE CLAIMS
Apr-07	700 001	694 149	700 001	694 149
May-07	900 000	241 372	1 600 001	935 521
Jun-07	900 000	0	2 500 001	935 521
Jul-07	0	122 695	2 500 001	1 058 216
Aug-07	0	1 072 218	2 500 001	2 130 434
Sep-07	200 000	0	2 700 001	2 130 434
Oct-07	200 000	627 648	2 900 001	2 758 081
Nov-07	200 000	449 347	3 100 001	3 207 429
Dec-07	200 000	0	3 300 001	3 207 429
Jan-08	217 213	312 972	3 517 214	3 520 401
Feb-08	400 000	396 813	3 917 214	3 917 214

1.4 Town Planning and Building Control

1.4.1 Overview

This Section reported to the Director of Civil Services for the first eight months of the 2007/2008 financial year after which it was transferred back to the Directorate of Community Services.

It manages the administration of the Technical Services Committee of Council. The daily administration of this office includes applications for land use changes, departures, rezoning, removal of restrictions, subdivisions, consent uses as well as the administration of current land uses, approval of building plans, building inspections and a wide variety of service delivery to the public.

This office is also responsible for the finalisation and implementation of the Spatial Development Framework (SDF) as part of the IDP.

A total of 153 applications for land use changes were received by this office. In this regard, a total of 234 Council decisions have been formulated in order for Council to make decisions required by law.

Due to the current economic situation, the number of land use applications as well as enquiries from the public on the selling and availability of land for development purposes has dropped dramatically.

Officials from the Sub-Directorate is at present busy preparing tender documents and the necessary paper work and public participation processes for the alienation of identified municipal land parcels.

The tender for the development of a shopping centre on Erf 13800 (now Erf 19161) in KwaNonqaba/D'Almeida was won by Shoprite Holdings.

The price of R11,6 million that was achieved for the property exceeded expectations.

The following studies were completed and will soon be formally adopted by Council as either Section 10(4) structure plans in terms of the Ordinance on Land Use Planning, 1985 or the Section 32 of the Municipal Systems Act.

1. Mossel Bay Spatial Development Framework.
2. Da Nova Spatial Development Plan.
3. Diasdustria Spatial Development Plan.
4. Mossel Bay Densification Study.
5. Mossel Bay Vacant Land Audit.

The table below reflects income derived from applications for land use changes:

2004/2005	2005/2006	2006/2007	2007/2008
R68 182	R76 150	R65 835	R72 126

1.4.2 ***Building Control***

1.4.2.1 Value of Building Plans Approved

The number of building plans approved over the past four financial years is given below:

	2004/2005	2005/2006	2006/2007	2007/2008
Number of Building Plans Approved	1 210	1 149	1 972	1831
VALUE	R476 472 810	R337 633 793	R638 000 000	R854 205 000

1.4.2.2 Building Plan Statistics

A breakdown of approved building plans is given below:

	2006/2007		2007/2008	
TYPE	PLANS	VALUE (R)	PLANS	VALUE (R)
New Residential Buildings	718	306 000 000	519	449 783 500
Commercial Buildings	95	171 000 000	64	180 875 500
Alterations and Additions	1 159	161 000 000	1 248	223 546 000
TOTAL	1 972	638 000 000	1 831	854 205 000

1.4.2.3 Buildings Completed

The table below shows the number and value of buildings that were completed over the past two financial years.

	2006/2007		2007/2008	
TYPE	COMPLETED	VALUE (R)	COMPLETED	VALUE (R)
New Residential Buildings	872	477 000 000	332	335 651 500
Commercial Buildings	54	8 000 000	56	213 585 500
Alterations and Additions	1 098	201 000 000	735	157 796 500
TOTAL	2 024	686 000 000	1 123	707 033 500

2. Community Services

DIRECTOR: C B PUREN

2.1 Overview

The Directorate: Community Services is responsible for the Municipality's function relating to the health and welfare of the community. It is also responsible for ensuring a clean and healthy environment as well as public safety and rescue services. The management of sport and recreation facilities and other amenities also form an important part of the Directorate.

The Directorate performs its duties through five Sub-Directorates, namely:

- Community Safety.
- Environment, Sport and Recreation.
- Fire and Rescue Services.
- Health and Waste Management.
- Housing.

In order to fulfil its mandate, various objectives were set for this Directorate through Council's Integrated Development Plan (IDP).

The following is a brief overview of the objectives as well as the successes that were attained:

OBJECTIVE	RESULT
Create at least 200 jobs through an entrepreneurs project.	240 jobs were created. The general maintenance of all open areas was also enhanced through this project, which is another of Council's objectives in the IDP.
Build houses for homeless people.	Even though four housing projects were approved by the Provincial Administration of the Western Cape, the houses could not be built due to reasons beyond the Municipality's control. In two of the projects, Records of Decision (ROD's) were still awaited from the Department of Environmental Affairs. However, everything seems to be sorted out and the building of the houses should commence during the 2008/2009 year.
Review the emergency plan for Mossel Bay.	Objective met successfully.
Improve traffic safety in all areas.	Even though more could be done, many traffic safety education sessions were undertaken at pre-school and primary school level.

Remove alien vegetation.	An amount in excess of R1m was spent on alien vegetation removal. The challenge is ongoing and a lot has still to be done.
Relocate dumping site at Sonskynvallei.	Alternative sites have been identified. An ROD from the Department of Environmental Affairs was still awaited at the end of the financial year and delayed the relocation.
Clean up dumping sites within the townships by end of 2008.	All the dumpsites were cleared. However, because of ill discipline, dumping continues. A lot of money will have to be spent on this ongoing problem.
Address shortage of crèches.	<p>The following crèches were either built or upgraded:</p> <p>Sonskynvallei: A new crèche, which can accommodate 60 children, was built in Sonskynvallei. The Garden Route Casino played a key role in the erection of the building.</p> <p>Sewendelaan: A new crèche, which can accommodate 60 children were built in Sewendelaan. This area is plagued by crime and the closest crèche is about 3km away. The community was very happy when the crèche was handed over.</p> <p>Eluxolweni: This crèche, situated in KwaNonqaba was in a poor state of repair and consisted mainly of a wood and iron building. After this crèche was upgraded, its capacity increased to accommodate 20 % more children.</p> <p>Ruiterbos: This rural community never had a building to house a crèche and had to make use of the primary school. Council upgraded an old building and created a proper crèche, which can accommodate 40 children.</p>

2.2 Fire and Rescue Services

The function of the Sub-Directorate is to reduce the risks, impact and consequences for life and property with regard to fire, emergencies and disasters.

2.2.1 Fire Safety

The continued growth in the building sector has placed a huge burden on the Fire and Rescue Service. Because of a shortage of personnel, the Service struggled to keep up with all the new developments that increased risks in our town drastically

Education and awareness remain one of the key objectives of the Sub-Directorate to assist the communities to identify risks and to implement preventative measures to reduce or to remove the risks.

One of the major challenges to the Fire and Rescue Service is to provide services to the informal settlements, where frequent structural fires occur, because of the lack of access roads and shortage of water supplies.

Fire awareness and educational programs were again extended to local crèches and churches.

Veld and bush fires decreased by 9,5 per cent during the reporting period. However, it remains a concern that members of the public continue to set the veld alight by, amongst other things, tossing burning cigarette stubs from moving vehicles. Schoolchildren also start fires on vacant erven.

There was a noticeable decrease of 20 per cent in motor vehicle accidents to which the Fire and Rescue Service was called for assistance in the 2007/2008 financial year. Fatal vehicle accidents decreased by 40 per cent.

These decreases can be ascribed largely to the increased visibility of law enforcement officers as well as traffic control measures implemented in the Mossel Bay municipal area.

The Sub-Directorate also rendered services during floods in the Great Brak River and Little Brak River areas and is thankful to the South African Police, Metro EMS and the Eden District Municipality for their assistance and co-operation.

We would once again like to express our sincere gratitude to PetroSA for their continued support and assistance in rendering an efficient service to the community.

The following services were rendered in the 2007/2008 financial year:

<i>Incidents</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>
<i>Fires:</i>			
- Formal	34	51	22
- Informal (Shacks)	83	98	82
- Veld Fires	589	308	279
- Other Fires	-	11	-
- Motor Vehicle Fires	27	20	21
<i>Motor Vehicle Accidents</i>	271	330	267
<i>Special Services</i>			
- Water delivery	24	2	2
- Other	43	90	70
<i>False Alarms</i>			
- Unintentional	47	21	42

- Malicious	0	0	4
Medical Incidents	68	22	26
Loss of Life			
- Construction fires	0	12	6
- Drowning	5	1	0
- Vehicle accidents	8	20	12
Fire Prevention			
-Inspections	207	274	264
- Re-inspections	239	286	251
- Business licences and building plans	289	236	196
- Cleaning and inspection of fire hydrants	140	134	219
Training			
- Industrial and municipal	12	5	1
- Schools	21	28	33
- Internal fire and rescue	96	180	146
Complaints after hours			
- Water	704	846	795
- Sewerage	966	1 078	1 084
- Electricity	2 470	3 115	3 330
TOTAL	6 351	7 158	6 732

2.2.2 Capital Projects

The following capital projects were budgeted for the 2007/2008 budget cycle and were completed within the projected periods.

Financial Year	2005/2006	2006/2007	2007/2008
Total Capital Budget	R85 500	R2 456 722	R 159 344

2.2.2 Fire and Rescue Personnel: Cost to Municipality

The cost of Fire and Rescue Personnel to the Municipality over the past three financial years was as follows:

Financial Year	2005/2006	2006/2007	2007/2008
Personnel	R4 616 141	R4 924 800	R5 790 366

2.2.3 Operating Budget

The total operating budget for this function over the past three financial years was as follows:

Financial Year	2005/2006	2006/2007	2007/2008
Total Operating Budget	R5 837 664	R6 370 974	R7 028 447

2.2.4 Disaster Management

Except the fires and flash floods that raged through the entire Eden District, no other major incidents or disasters occurred during this period. Activities to mitigate or prevent the adverse effects of flash floods in our communities nevertheless continued.

The Eden District Municipality appointed a Disaster Management Co-ordinator to assist with the function for the Mossel Bay municipal area. This Municipality must still appoint a disaster management official to co-ordinate this function internally.

Incidents of violence and tension because of xenophobia presented another challenge to the Sub-Directorate and the Municipality and tested the capability of the Fire and Rescue Service to deal with these. It also caused a great deal of stress to the communities. We thank the South African Police Services and all relevant role players who assisted to stabilise the situation.

2.2.5 Lifesaving Services

Lifesavers were deployed on 25 beaches, excluding Dana Bay 1st and 2nd beaches, within the Mossel Bay Municipal boundaries for the 2007/2008 season. There was an increase in the number of holidaymakers who visited and made use of the beaches but no major incidents occurred.

The cost of Life Saving services to the Municipality over the past two years was as follows:

Financial Year	2005/2006	2006/2007	2007/2008
Total Operating Budget	R491 024	R528 429	R627 100

2.2.6 Security Services

The contracted security company delivered a reasonable service during the 2007/2008 financial year. The cost of security services to the Municipality over the past three years is shown below:

<i>Financial Year</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>
Private Security	R492 195.	R619 358	R524 920
Municipal Employees	R900 000 (15 employees)	R980 000 (12 employees)	R1 031 775 (12 employees)

2.2.7 Challenges Faced by Fire and Rescue Service

One of the biggest challenges that the Fire and Rescue Service is facing is a shortage of manpower. In terms of the SANS 10090 specifications, the Service has a shortage of 27 members.

2.3 Environment, Horticulture, Sport and Recreation

This Sub-Directorate is responsible for environmental care, horticultural development and maintenance as well as the development and management of sports and recreation facilities and beaches. The shortfall in personnel, including management and supervisory positions, in this section is still problematic and affects service delivery.

An environmental impact assessment for the new cemetery for Mossel Bay is still in process. The entrances at Mossel Bay and Hartenbos cemeteries were upgraded with paving and new blocks were developed at the Wolwedans and End Street cemeteries at Great Brak River.

Major maintenance to the beach ablution facilities and steps to the beach areas has been undertaken.

A fence was erected around the first section of the park in Extension 23. A new information facility was built in Boggomsbaai.

The cricket facilities at Long Street, Great Brak River, were upgraded. Floodlights at the Great Brak River soccer sports field as well as Brandwag sport grounds were upgraded.

The rugby clubhouse at Greenhaven and the pavilion at the Van Riebeeck sports grounds were upgraded.

The compilation of an open space maintenance plan as well as a plan for the beautification of town entrances and other green areas commenced.

Maintenance statistics for the section are as follows:

	2005/2006 (R)	2006/2007 (R)	2007/2008 (R)
Beaches	1 371 692	1 185 459	10 680
Sports and Recreation	2 000 753	493 673	276 977
Environment and Horticulture	6 937 677	0	7 269
Cemeteries	371 492	21 015	87 381
TOTAL	10 681 614	1 700 147	382 307

Capital requirements for the past three financial years were:

	2005/2006 (R)	2006/2007 (R)	2007/2008 (R)
Beaches	325 000	0	236 428
Sports and Recreation	950 000	1 063 388	810 710
Environment and Horticulture	485 000	0	547 156
Cemeteries	135 000	28 488	254 946
TOTAL	1 895 000	1 064 876	1 849 240

2.4 Community Safety

This function renders services with regard to vehicle registration, driver's licences and community safety, which include traffic safety, crime prevention and the policing of municipal by-laws.

2.4.1 Vehicle Registration

There was a significant decline of 14 per cent in the registration of motor vehicles in the 2007/2008 financial year. Taking in consideration the fact that 0,05 per cent more temporary permits were issued during the 2007/2008 financial year, the conclusion can be made that less used vehicles changed ownership.

Licensing fees are becoming a problem in the Western Cape as a whole. More people are feeling the pressure of retrenchments and cannot afford to pay their vehicle licenses.

This Sub-Directorate also went through the teething problems of implementing the E-Natis system. The system caused members of the community to return to the office repeatedly and projected a lot of frustration unto officials. The unannounced power cuts also put a lot of pressure on officials to accommodate the community but very few complaints were received.

Statistics for the past three years are as follows:

<i>Vehicle Registrations</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>
Registrations	R730 350,30	R 755 034,40	R 648 764,10
Licensing	R14 194 766,68	R15 805 031,07	R13 811 918
Temporary permits	R40 686	R48 900	R51 510
Special permits	R19 536	R18 366	R16 098
Duplicates	R148 020	R141 020	R99 470
12 % Agency Fee	R1 703 372	R1 896 603,74	R1 448 482,46
Registration Numbers	R20 650	R 21 800	R17 100,00
TOTAL INCOME	R2 665 390,59	R18 686 755,21	R160 963 342,56

2.4.2 Driver's Licences

The number of applications for driver's licences grew from 13 348 in 2005/2006 to 22 093 in 2007/2008. Income also increased by about 65,5 per cent. An additional person was appointed to deal with the increasing administrative functions.

Due to the large demand, two additional tests were introduced on every second Saturday of each month, allowing the Municipality to assist 30 learners on a Saturday. Up to fifteen drivers were also tested on Saturdays. These classes are all presented with existing personnel, showing the commitment of the officials to enhance service delivery and embracing the principle of Batho Pele as promoted by Council.

The table below shows the number of applications and income received from this function:

<i>Drivers Licenses</i>	<i>2005/2006</i>		<i>2006/2007</i>		<i>2007/2008</i>	
	No	R	No	R	No	R
Motorbikes	104	12 480	154	18 480	242	29 040
Light Motor Vehicle	871	104 520	908	108 960	1041	24 920
Heavy Motor Vehicle	934	168 120	1 129	203 220	2214	398 460

Card Applications	5 011	501 100	6 810	681 000	8 432	843 200
Temporary Licenses	2 127	85 080	2 854	114 160	2801	112 040
Pr DP's	389	66 130	1 060	74 200	1164	81 480
Learners Applications	2 644	158 640	3 413	204 780	4037	242 220
Learners Licenses Issued	1 183	35 490	1 765	52 950	2 026	60 780
Duplicate Learners Licenses	85	2 550	93	2 790	136	4 080
Less Card Production Fee	13 348	1 134 110	18 186	1 460 540	22 093	392 088
Total Income	R1 404 132					

2.4.3 Community Safety

Community Safety encompasses road safety, the safety of the community in general as well as safeguarding the environment by preventing pollution, illegal dumping of refuse and other hazardous waste.

The main objective was to cover the area from Glentana in the east to Vleesbaai in the west on a regular basis on a preventative basis.

Education of the community by means of written warnings was supported by strict law enforcement, including speed law enforcement. As a crime prevention measure, foot patrols were conducted in areas with a high pedestrian density to enhance visibility. Special attention was given to high-risk areas for drunk driving. These actions led to the arrest of 225 people for serious offences.

The national Arrive Alive project was also supported by concerted efforts to enforce the speed limits in urban as well as rural areas.

Although the income from paid fines show a decline of 0,06 per cent, the increase of R8 432 200 (160 per cent) in fines issued, is a clear indication of the challenge to change the attitude of drivers with regard to traffic rules. The approach to maximise the opportunity for offenders to pay fines by issuing notices before summons explains the fact no payments were received on summonses.

The following statistics are submitted:

	2005/2006	2006/2007	2007/2008
Members	26	26	27
Summons Issued	5 756	4 091	4 739
Prosecution Notices (S 341)	1 388	1 567	1 825
Warnings	1 509	2 026	1 801
Arrests	203	168	225

Foot patrols, law enforcement and crime prevention (hours)	11 604	12 109	1 363
Illegal structures removed	4	26	191
Summonses (paid)	R63 230	R339 940	-
Section 341 (paid)	R110 970	R523 750	R628 800
Cameras			
Fines	R406 760	R5 246 175	R13 678 375
Section 341 (paid)	R9 900 053	R1 038 198	R975 296
Total Value from 01/07/07- 30/08/08	R10 481 013	R7 148 063	R15 282 471

The commitment of personnel is very high, which enables this department to meet the expectations of the community.

2.5 Health and Cleansing Services

The function of this Sub-Directorate is the management of waste, refuse removal and street cleaning as well as air and noise pollution control.

The Municipality has various transfer stations and landfill sites under its control

Domestic refuse is removed once a week. Business refuse removal takes place more often.

2.5.1 Refuse Removal

The following is the number of households for which this service is provided and the cost per household:

Indigent Households		Non-indigent Households	
Number of Households	Monthly payment in Rand	Number of Households	Monthly payment in Rand
6 738	R0,00	28 537	R69,93

The annual refuse removal backlogs for the three years up to 30 June 2008 were as follows:

Area	2005/2006	2006/2007	2007/2008
Kleinberg	28	-	-
Bartelsfontein	12	-	-
Buisplaas	102	102	102
Ruiterbos	92	-	-

Contractors clean the abovementioned areas.

It will be seen from the above that, with the exception of Buisplaas, all backlogs have been cleared. The backlog in respect of Buisplaas is expected to be cleared in the 2008/2009 financial year. Although MIG funding is not available for this purpose, the Municipality has made provision in its operational to eliminate this backlog.

The solid waste removal statistics for the past three financial years are as follows:

	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>
Metric Tons	22 927	26 929	27 760

The following table reflects expenditure of this Sub-Directorate over the past three years:

	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>
Transfer Stations	967 302	1 104 471	1 097 591
Street Cleaning	1 260 269	1 448 777	1 429 239
Refuse Removal	13 082 960	18 309 246	24 319 870

2.5.2 Waste Management - Landfill Facility

Several municipalities in the Eden district, including Mossel Bay, dump their domestic waste at the PetroSA landfill facility. The contracts in this regard expire in June 2010 and the extension of the contracts is being discussed with PetroSA as an interim measure until a new landfill facility could be established for the Eden district.

The Eden District Municipality has already appointed consultants, PD Naidoo and Associates, to plan the new landfill facility and the Municipality is involved actively in the planning process. Potential sites have been identified and specialist studies have to be undertaken in this regard. The necessary applications must also be made to the Department of Environmental Affairs and Development Planning (DEADP).

The objective is to have the new landfill facility, with a lifespan of 50 years, in operation by the end of 2012. In the meantime, the Eden District Municipality, in collaboration with the local municipalities, is investigating various waste minimisation strategies to reduce waste to landfill before 2012 and thereafter.

2.5.3 Recycling Initiatives and Future Plans

Recycling of waste takes place from businesses as well as residential properties. A total of 1 322,5 tons of waste was recycled in the 2007/2008 financial year, compared to 1424,81 tons in 2006/2007 and 1 222,2 tons in the 2005/2006 financial year.

Recycling is taking place in Dana Bay, Heiderand, the Central Business District, Midbrak, Great Brak River, Glentana and Hartenbos. Blue bags are provided to residents as well as businesses in these areas and the waste is collected weekly. A local recycler also has a contract to collect waste for recycling at the KwaNonqaba transfer station.

The vision of the Municipality is to extend recycling to the rest of the municipal area and plans to put out a tender for this purpose in the 2008/2009 financial year.

2.5.4 New Transfer Station

The Municipality appointed a consultant to identify suitable land for a new transfer station for green waste, composting, building rubble and various other waste classifications.

An application for an environmental impact assessment (EIA) has been submitted to the Department of Environmental Affairs and Development Planning in respect of potential sites that have been identified. Feedback is still awaited.

It is envisaged that the KwaNonqaba and Sionskynvallei transfer stations will be used as recycling drop-off centres when the new transfer station is in operation. This will create jobs in the communities.

2.5.5 Entrepreneurs Project

This project has been extremely successful to date in providing employment opportunities and skills to previously disadvantaged and unemployed members of the community of Mossel Bay. The project started in 2005 with 25 entrepreneurs and the creation of approximately 125 jobs.

More entrepreneurs are appointed annually depending on Council's budget for the particular year. A private public partnership to the value of R4 million for the 2007/2008 allowed the employment of 41 entrepreneurs and creating 265 jobs. The beneficiaries through extended family membership is estimated at 1 356 people.

The entrepreneurs have gained various skills, such as leadership, administration, operational and communication skills as well as working together as a team. The entrepreneurs are also dignified by this opportunity to work for the municipality and being able to provide for their families.

Various groups, namely women, youth and the disabled, are involved in this project, which has also enhanced awareness of environmental cleanliness in the communities. The entrepreneurs will soon become involved in recycling and further contribute to waste management in the municipal area.

2.6 Housing, Environment, Sport, Recreation and Facilities

2.6.1 Housing

The Housing Section resorts under the Directorate Community Services and forms part of the Sub-Directorate Housing, Environment, Sport, Recreation, and Facilities.

The personnel structure is comprised of a head of the Sub-Directorate, a manager of the housing section, three administrative assistants and two clerks. The housing offices are placed strategically to service all functional areas such as KwaNonqaba, D'Almeida, Great Brak River and Friemersheim.

The Municipality is mandated in terms of the Constitution and the Housing Act, 1997 to:

- Determine project priorities and needs in terms of its Integrated Development Plan.
- Compile waiting lists of potential beneficiaries for housing.
- Manage projects.
- Transfer housing stock.
- Identify and secure land for the housing schemes.
- Conclude private public partnerships (PPP's) with a view to accommodating the housing needs of the lower middle-income families who do not qualify for a State housing subsidy and are falling below the range of conventional mortgage finance.

The strategic objective of the Municipality is to act as facilitator in the housing process and to act proactively in partnership with the Department of Housing, the Department of Land Affairs, the Department of Social Services and the Eden District Municipality to create sustainable and integrated communities.

The goals are as follows:

- Developing an integrated housing strategy for the whole of the Mossel Bay area which addresses the needs of the following:
 - Low-income households.
 - Middle-income households not having access to the commercial bond market or housing subsidies.
 - People living in small urban settlements in peri-urban or rural areas.
 - Farm workers.
 - People requiring subsidised rental accommodation.
 - Social housing.
 - High-income commercial housing development.
- Embarking on a comprehensive socio-economic survey to determine accurate profile information.
- To provide sufficient housing opportunities to address the existing housing need in 5 years.

- To provide for the development of healthy and balanced communities through the integration of health, education, recreation, community safety and other social facilities in newly developing housing areas.

A thorough socio-economic survey was undertaken of all informal settlements, backyard dwellers as well as existing formal structures during the course of the reporting year. The data will be used to compile a housing strategy based on guidelines provided by the Provincial Department of Housing.

The uncontrolled influx of people and the resulting problem of squatting prompted the Council to employ a service provider to do constant monitoring of the area and to remove illegal structures.

3.6.1.1 Current Housing Projects

The status of present housing projects at the Municipality is as follows:

- *WOLWEDANS: GREAT BRAK RIVER*

The Municipality contributed a total amount of R3 549 773 over the past three financial years towards the instalment of services on the project that comprises of 667 erven.

Tenders were invited for the erection of 677 top structures, but even the lowest far exceeded the state subsidy quantum.

A fully motivated report in connection with this shortfall on the top structure costs was submitted to the Western Cape Housing Department. Further investigations are in progress to effect alternative cost saving options with a view to awarding the contract.

- *FRIEMERSHEIM GREENFIELDS HOUSING PROJECT*

The project was approved by the Department of Housing in May 2008.

The re-subdivision of the land parcels and subsequent revision and registration of the general plans have commenced. The preliminary planning and design work for the required bulk and connector services as well as the internal reticulation of services were concluded by 31 July 2008. The finalisation of the official waiting list of prospective beneficiaries (± 200) and subsequent verification of eligibility to review subsidies are now awaited from the Department of Housing.

The tender process for civil services is anticipated to commence before the end of 2008.

- *POWERTOWN*

The planned relocation of the Powertown community to the adjacent Hartenbos Estate private development is still in process. The Provincial Department of Planning and Environmental Affairs still has to approve the application in terms of NEMA and other relevant legislation.

- *ELANGENI PRIVATE HOUSING PARTNERSHIP, KWANONQABA*

Thubelitsha Homes were appointed as implementing agent for the erection of 327 top structures on the project.

Fifty houses were completed by November 2007 when the project was halted due to a contractual dispute between the said company and its contractor on the project. Efforts were made to reinstate or replace the contractor but a solution had not been found by the end of the reporting year.

- *ASAZANI / IZINYOKA PROJECT: PHASES 1 AND 2*

The following reports and / or structure have been concluded:

- Town planning and architectural matters.
- Appropriate geotechnical report.
- Traffic impact assessments.
- Pedestrian management plan.
- Archaeological heritage input assessments.
- Botanical assessments.
- Technical reports in regard of external water, sewage and storm water infrastructure.
- Preliminary designs in regard of internal services infrastructure.
- The final EIA scoping report in respect of the respective land profiles was completed and will now be submitted to the Provincial Government for consideration.

- *MIDDLE-INCOME AFFORDABLE HOUSING PROJECT*

Expressions of Interest for this project were invited in terms of the Municipality's Supply Chain Management System and nineteen 19 property developers responded. Seven made the shortlist and proceeded to the next stage of the process to select a developer to carry out the project on the Municipality's behalf. The final appointment was expected to be made by the end of 2008.

3.6.1.2 Planned Projects

The following is a summary of housing projects that are still in the planning stages:

- *HERBERTSDALE*

A project manager was appointed for the project that will entail ± 150 serviced erven and top structures.

Project scoping reports in respect of required engineering services (bulk water and sewer requirements) have been concluded.

The process with regard to the geotechnical investigation, environmental impact assessment, preliminary town planning, topographical surveying, etcetera, will commence in the following reporting year.

3.6.2 Budgets and Funding

3.6.2.1 Capital Budget

The table below shows the capital budgets for the 2006/2007 and 2007/2008 financial years:

BUDGET	ACTUAL EXPENSE	% OF BUDGET SPENT
2006/07: R12 443 640	R9 015 139	72,45%
2007/08: R17 908 873	R9 197 425	51,36%

3.6.2.2 Operating Budget

The table below shows the capital budgets for the 2006/2007 and 2007/2008 financial years:

YEAR	BUDGET	ACTUAL EXPENDITURE	% OF BUDGET SPENT
2006/07	R631 451	R9 017 901	14 282
2007/08	R18 076 424	R13 319 808	74

3.6.3 Waiting List

As can be seen from the table below the housing waiting list increased by 31,25 per cent over the past two years:

	NO OF HOUSES BUILT	WAITING LIST
2006/07	1	8 000
2007/08	56	10 500

3. Corporate Services

DIRECTOR: E JANTJIES

3.1 Overview

The Directorate Corporate Services is essentially responsible for the general support function of the Municipality. This includes the provision of the following services:

- Human Resource Services.
- Secretariat.
- Legal and Contract Management Services.
- Archives.
- Socio-economic Development Services.
- Youth Development and Disability and Gender Affairs.
- Ward Committee Management.
- Public Participation.
- Integrated Development Planning (IDP).
- Managing the Employment Equity Plan.
- Managing the Performance Management System.
- Library Services.

The Directorate settled well under the management of the current Director who was appointed to the position in September 2007. Its focus areas were expanded from the previous financial year to include Youth Development as well as Disability and Gender Affairs.

The Human Resources Sub-Directorate focused on maintaining an effective human resources system, giving effect to the Municipality's premise that its employees are its biggest asset. Human resource policies were developed to institutionalise best practice with regard to recruitment, selection and employment equity.

The Sub-Directorate also embarked on an intensified recruitment drive to reduce the number of vacancies at the Municipality to more acceptable levels. Nearly eighty per cent of vacancies were filled.

A process plan was adopted on 21 August 2007 for the development of a new IDP. The process was improved overall and focused on improved public participation as well buy-in by Councillors and employees of the Municipality. These objectives were achieved.

Great strides forward were also made in the implementation of the ward committee system and by the end of the 2007/2008 financial year Ward Committees had been established in ten of the twelve wards.

The exceptions were Wards 5 and 11 where ratepayers associations exist and resistance to the concept of Ward Committees was encountered.

Local economic development (LED) also received attention and a Steering Committee of 33 members, representing different stakeholder groups, was established to guide the implementation of the strategy.

A draft Youth Policy has been developed and is expected to be adopted by Council in March 2009. Several events involving the youth of Mossel Bay were also organised during the year under review.

The important Sub-Directorate of Legal Services was enlarged and a permanent Head of Legal Services was appointed.

More professional appointments were in the pipeline at the end of the 2008 financial year as its workload increased significantly over the past few years.

The Sub-Directorate continued with the major task of revising existing by-laws as well as drafting new by-laws as required. Seventeen draft by-laws were drafted and were ready at the end of the review year for the public participation and administrative processes required for their eventual promulgation.

The Administrative Services Sub-Directorate continued to function well.

The Collaborator electronic document flow system implemented by the Sub-Directorate is now fully functional and resulted in a great improvement in the administrative systems of the Municipality. The Municipality is in the process of extending this sophisticated system to other functions as well.

An Administrative Officer was appointed to co-ordinate the Municipality's Performance Management System (PMS). The system is not fully functional yet. The PMS policy is still in its draft stage. This very important aspect of good corporate governance will be given top priority in the 2008/2009 financial year.

The Library Service is well established and continued to function satisfactorily during the year under review.

3.2. Human Resources

The Sub-Directorate Human Resources is responsible for the management of personnel recruitment, selection and appointment processes of the municipality. It furthermore deals with all other personnel administrative matters.

These include the implementation of the disciplinary code, training and development of staff and the formulation of human resource policies.

This division is sub-divided into the following sections:

- Skills Development.
- Administration.
- Labour Relations.

3.2.1 Recruitment

The table below reflects recruitment categories and numbers for the period 1 July 2007 to 30 June 2008.

Occupational Levels	Male				Female				TOTAL
	A*	C*	I*	W*	A	C	I	W	
Top management	0	0	0	1	0	0	0	0	1
Senior management	0	3	1	1	0	0	0	1	6
Professionally qualified and experienced specialists and mid-management	1	2	0	1	1	1	0	0	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	4	0	7	0	4	0	1	17
Semi-skilled and discretionary decision making	7	12	0	3	4	10	0	2	38
Unskilled and defined decision making	21	28	0	2	1	2	0	0	54
TOTAL	30	49	1	15	6	17	0	4	122

(Legend: A= African; C = Coloured; I = Indian; W = White)

In July 2008, this department started with a backlog of over 100 posts. Careful planning, which included Selection Committee meetings almost every Friday, enabled the department to fill more than 80 per cent of the vacant posts.

Last year there were six vacancies at senior management level but all have now been filled. More than 80 semi-skilled and unskilled posts were also filled during the last year.

3.2.2 Promotions

The official reporting period for Equitable Employment stretches from 1 October to 30 September annually.

The table below reflects recruitment categories and numbers at the Municipality until the end of September 2008.

Occupational Levels	Male				Female				TOTAL
	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	1	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	1	0	0	0	1	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2	3	0	3	0	2	0	1	11
Semi-skilled and discretionary decision making	9	13	0	1	0	1	0	1	25
Unskilled and defined decision making	0	2	0	0	0	0	0	0	2
TOTAL	11	18	0	5	0	4	0	3	41

3.2.3 Terminations

The following terminations took place during the 2007/2008 book year:

Occupational Levels	Male				Female				TOTAL
	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	1	0	2	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	0	1	0	4	0	1	0	2	8

Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2	2	0	1	0	2	0	0	7
Semi-skilled and discretionary decision making	0	9	0	2	0	0	0	3	14
Unskilled and defined decision making	5	10	0	0	0	3	0	0	18
TOTAL PERMANENT	7	23	0	9	0	6	0	5	50
Non – permanent employees	0	0	0	0	0	0	0	0	0
TOTAL	7	23	0	9	0	6	0	5	50

The terminations were made up as follows:

Resignation	Dismissal	Disability	Other
18	5	2	28

3.2.4 People with Disability

The table below shows people with disabilities per occupational level:

Occupational Levels	Male				Female				TOTAL
	A	C	I	W	A	C	I	W	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and middle management	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	1	0	2	0	0	0	0	3

Semi-skilled and discretionary decision making	0	1	0	0	0	0	0	0	1
Unskilled and defined decision making	0	3	0	0	0	0	0	0	3
TOTAL PERMANENT	0	5	0	2	0	0	0	0	7
Non-permanent employees	0	0	0	0	0	0	0	0	0
TOTAL	0	5	0	2	0	0	0	0	7

3.2.5 Disciplinary Action

The following table reflects the number of disciplinary actions for the period July 2007 to 30 June 2008.

Disciplinary Action	Male				Female				TOTAL
	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	
Counselling	4	10	0	4	3	1	0	1	23
Demotion	0	0	0	0	0	0	0	0	0
Dismissal	0	6	0	0	0	1	0	0	7
Final written warning	1	6	0	1	1	2	0	0	11
Medical enquiry	1	0	0	0	0	1	0	0	2
Other	0	0	0	0	0	0	0	0	0
Suspension without pay	5	3	0	0	2	2	0	0	12
Transfer	0	0	0	0	0	0	0	0	0
Verbal warning	0	0	0	0	0	0	0	0	0
Withholding of salary increment (not exc. 12 months)	0	0	0	0	0	0	0	0	0
Written warning	3	4	0	0	2	2	0	0	11
TOTAL	14	29	0	5	8	9	0	1	66

The Municipality has tightened its hold on ill discipline, low capacity and non-productivity over the past year as shown by the fact that over 50 % more disciplinary actions took place compared to last year.

3.2.6 Skills Development

Council has an obligation in terms of the Skills Development Act, No. 97 of 1998, to develop its employees by providing training for them. Training plans are drawn up annually and are forwarded to the Local Government, Water and Related Sectoral Education and Training Authority (LGWR SETA)

3.2.6.1 Skills Development Levy

A skills development levy, equal to a per cent of the Municipality's monthly payroll is payable to the SETA.

Payments totalling R724 951 were made as follows during the 2007/2008 financial year:

MONTH	2005/2006 (R)	2006/2007 (R)	2007/2008 (R)
July	43 702	49 623	54 200
August	43 019	54 076	61 409
September	41 100	51 367	54 312
October	40 992	52 034	55 372
November	41 348	52 034	54 579
December	47 067	58 524	56 351
January	43 900	65 262	66 109
February	76 975	64 811	64 312
March	41 378	72 933	63 828
April	41 990	60 895	64 479
May	47 709	58 778	63 947
June	47 329	61 636	66 053
TOTAL	556 509	701 973	723 909

3.2.8 Training Report

Up to 50 per cent of the levy can be reclaimed by the Municipality, subject to certain conditions based on the registration of employees and actual money spent on the training of employees.

Claims by the Mossel Bay Municipality for the year under review amounted to R362 475.

The table below provides statistics of the training of employees of the Municipality during the period 1 July 2007 to 30 June 2008.

Occupational Levels	Male				Female				TOTAL
	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	<i>A</i>	<i>C</i>	<i>I</i>	<i>W</i>	
Top Management	0	1	0	0	0	0	0	0	1
Senior Management	1	1	0	3	0	1	0	1	7
Professionally qualified and experienced specialists and middle management	0	2	0	7	3	1	0	2	15
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	10	0	7	0	6	0	7	33
Semi-skilled and discretionary decision making	27	43	0	13	9	18	0	10	120
Unskilled and defined decision making	66	121	0	4	6	16	0	0	213
TOTAL PERMANENT	97	178	0	34	18	42	0	20	389
Non-permanent employees	0	0	0	0	0	0	0	0	0
TOTAL	97	178	0	34	18	42	0	20	389

Personnel received training in the following during the 2007/2008 financial year:

- Computer Literacy (Excel, Word, PowerPoint).
- Cadie (Engineers, Town Planning).
- First Aid.
- Safety Training.
- K53 (Traffic).
- Fire Fighting.
- Skills Training (ETDP).
- Information Technology.

- GAMAP, GRAP (Finance).
- Chain Shaw Operation.
- Bush Cutters.
- ORHVS (Electricians).
- Law Enforcement.

3.2.9 Total Number of Employees

The following is an analysis of the Municipality's total labour force per occupational category:

Occupational Categories	Male				Female				TOTAL
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	1	4	2	15	0	1	0	2	25
Professionals	0	0	0	2	0	0	0	0	2
Technicians and associate professionals	11	25	0	33	1	3	0	3	76
Skilled agricultural and fishery workers	0	0	0	0	0	0	0	0	0
Clerks	4	33	0	8	23	40	0	36	144
Service workers	14	23	0	20	2	5	0	3	67
Craft and related workers	0	0	0	0	0	0	0	0	0
Plant and machine operators	13	27	0	2	1	2	0	0	45
Elementary occupations	134	233	0	10	15	32	0	0	424
Apprentices	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	177	345	2	89	42	83	0	44	782
Non – permanent employees	0	0	0	1	0	0	0	0	1
TOTAL	177	345	2	90	42	83	0	44	783

3.2.9 Interns

Interns were appointed in terms of the Municipal Finance Management Act, No 56 of 2003, and guidelines supplied by the National Treasury. The internship programme is funded from donations by the National Treasury.

The table below shows the employment profile of interns for the period 1 July 2007 to 30 September 2008.

Work Area	African		Coloured		Indian		White		Total
	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	
Core Finance	0	1	1	0	0	0	0	0	2
TOTAL	0	1	1	0	0	0	0	0	2

The Interns were placed in the Municipality's Financial Services Directorate under the guidance and mentorship of the Head: Income.

They were exposed to the following disciplines:

- Budget Administration.
- Income.
- Expenditure.
- Supply Chain Management.
- Local Government Legislation.

3.2.10 Employee Qualification Profile

The table below shows the employee qualification profile as at 1 July 2008 per employment category and NQF level:

	Below NQF		NQF1		NQF2		NQF3		NQF4		NQF5		NQF6		NQF7		NQF8		TOTAL
	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	
Senior officials and managers	-	-	-	-	-	-	-	-	8	1	2	-	9	1	2	-	1	-	24
Professionals	-	-	-	-	-	-	-	-	1	-	-	-	1	-	-	-	-	-	2
Technicians and associate professionals	-	-	8	-	9	-	7	-	32	1	10	3	3	-	-	1	-	-	74

Skilled workers	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
Clerks	-	-	1	2	1	1	6	7	26	74	7	-	-	3	-	1	-	139	
Service workers	-	-	-	-	4	1	11	1	36	8	5	9	1	-	-	-	-	68	
Plant and machine operators	-	-	15	-	6	-	5	-	15	3	-	-	-	-	-	-	-	44	
Elementary occupations	15	-	219	26	70	7	38	12	21	2	-	1	-	-	-	-	-	410	
TOTAL	15	0	242	28	91	9	68	22	148	90	27	18	16	4	2	2	1	-	783

Training and education is an ongoing process and a Council bursary scheme contributes to improve the employee qualification profile of the Municipality.

3.2.11 Pension, Retirement and Provident Funds and Medical Aid Fund

3.2.11.1 Council and its employees contribute to the following Pension or Provident Funds:

	Council Contribution	Member Contribution
	(%)	(%)
Cape Joint Pension Fund and Cape Joint Retirement Fund	18	9
South African Local Authorities (SALA) Pension Fund	20,78	8,6
South African Municipal Workers Union (SAMWU) Provident Fund	12	5

The table below shows the accredited pension schemes and membership numbers in the 2007/2008 financial year:

Fund

Cape Joint Retirement	354
SALA Pension fund	35
SAMWU Provident Fund	320

3.2.12 Medical Aid Schemes

Municipal employees have a choice to belong to one of the medical aid schemes accredited by the South African Local Government Association (SALGA).

Council contributes 60 per cent towards the monthly premium up to a maximum of R2 579,91 per month (determined annually).

Employees are allowed to switch between funds during the window period, which is normally determined as October to November of each year.

The table below shows accredited medical aid schemes and membership numbers.

Fund Membership	2006/07	2007/2008
Bonitas	67	159
Hosmed	144	131
L A Health	74	62
Key Health	64	72
SAMWU Med	76	101

3.2.13 Salary Trends: 2006 - 2008

The table below shows trends at the Municipality for the last three years. Salaries are also expressed as a percentage of total expenses.

	2006	2007	2008
Total expenses	R249 194 086	R353 748 770	R554 747 346
Salaries	R77 729 779	R144 396 464	R101 581 414
Salaries as % of total expenses	34,12%	40,8%	18,3%

3.3 Change Management and Policy Development

This Sub-Directorate is responsible for the following:

- Performance Management System.
- Employment Equity.
- Integrated Development Plan (IDP).

This Sub-Directorate's report for 2007/08 covers the following:

- IDP Review – 2007/ 2008.
- Employment Equity Review.
- Performance Management System.

3.3.1 Integrated Development Plan

This IDP was compiled in terms of Chapter 5 of the Municipal Systems Act, No 32 of 2000.

The Municipality adopted a process plan on 21 August 2007, which has been used for the development of the new IDP.

The adopted process plan was developed in line with the District Framework and Process Plan as well as the Provincial and National Planning Cycle for 2007/2008.

The plan is aimed at guiding the Municipality's planning throughout all the phases of the IDP. The following are the nine key focus areas that were identified in the IDP process:

- Development of new Services and Infrastructure.
- Land and Housing.
- Governance and Communication.
- Community Development, Education and Health.
- Community Safety and Security.
- Economic Development and Tourism.
- Spatial Development and Environment.
- Sports, Recreation.

Flowing from the nine key focus areas, the Municipality identified sixteen priority issues as part of its IDP process.

Duties and functions of the municipality are also reflected as well as the organisational structure and transformation. These two aspects are functionally related to the key focus areas of the IDP implementation and Performance Management System. Without proper clarity on the division of powers, duties and functions and without proper organisational structure and transformation, implementation will obviously not be possible.

The issue of financial viability is linked directly to the municipal key focus area on development of new services and infrastructure because without proper financial management the Municipality would not be able to achieve this.

It will be seen in the IDP document that each one of the nine municipal key focus areas is linked to national policies and legislation.

3.3.1.1 IDP Public Participation

Provision was made for the community to participate in the process of developing this IDP. Public meetings were held in September and October 2007 in each of the municipal wards, with a prior consultation with the Ward Committees to ensure that the IDP process is fair and transparent and that the views of the community are taken into account when the final document is developed.

3.3.1.2 Internal Consultation

Internal processes were established to promote buy-in and understanding of the process to be followed. All municipal departments and all Councillors were involved to ensure that there is both administrative and political co-operation and understanding.

The process of the Mossel Bay Municipality's IDP expanded on the foundation laid during the previous IDP processes. Some of the programs initiated during the last review were elaborated in the new IDP for continuation.

The Municipality's IDP technical committee continues to highlight problems that were encountered with the implementation of the previous IDP and intends to develop strategies that would improve in the implementation of the new IDP.

The IDP process has largely improved the culture of co-operative governance and it is therefore important that the same forum continues to be used to align the IDP and the budget process.

3.3.2 Employment Equity

The Municipality has adopted an Employment Equity Plan that was revised in 2008.

Employment equity is also driven by an Employment Equity Forum consisting of Councillors and officials. This Forum meets on a quarterly basis and has as its main function the monitoring of the plan and the alleviation of barriers.

Progress towards achieving set targets are slow and appointments of blacks and women in particular in top positions remain slow and unchanged.

It has been difficult to recruit people for specialised jobs due to skills shortages in job categories such as engineers, electricians and supply chain management. Vacancies in these fields were advertised several times in order to get suitable candidates.

It was therefore necessary in some instances to deviate from the plan in order to fill the important vacant positions to ensure service delivery. Property prices and the cost of accommodation in Mossel Bay also contributed to the problem of finding personnel.

3.3.3 Performance Management

The Municipality is compelled by the Municipal Systems Act, No 32 of 2000, to establish a Performance Management System that is:

- Commensurate with its resources.
- Best suited to its circumstances; and
- In line with the priorities, objectives, indicators and targets contained in its Integrated Development Plan.

An Administrative Officer for performance management was appointed in May 2008.

The Municipality enters into performance contracts with employees who have been appointed in terms of Section 57 of the aforementioned Act. The contracts for the 2007/2008 financial year, together with those for the 2008/2009 financial year, have been signed by all Section 57 employees.

The performance management system is, however, not yet functioning fully because of minor changes that need to be implemented. The reasons for this are as follows:

- There are inadequate monitoring controls of Key Performance Indicators (KPI's).

- KPI's are inadequate.
- Lack of performance information on evidence of community attendance and participation.
- Performance information in terms of priorities and objectives are not consistent.
- Lack of service providers that are not linked for measurement.
- The quality of targets set is not realistic, precise, measureable, objective and relevant.
- Lack of ownership and commitment by the different departments.

The Municipality intends to implement a PMS system that will be aligned to its Integrated Development Plan (IDP), Budget and Service Delivery Budget Implementation Plan (SDBIP) before June 2009. The PMS Policy and Manual is its draft stage at present and needs to be considered by Council by March 2009

An electronic PMS system needs to be developed and be approved by Council by July 2009

Council therefore contracted a service provider to be of assistance in the development of the new PMS and also to ensure that the KPI'S set out in the IDP are measureable performance targets with regard to each of those development priorities and objectives.

The Municipality will also ensure that its KPI's are in line with the national key performance indicators as well as IDP targets and that they adhere to applicable relevant legislation and regulations.

It is therefore the intention of the Municipality to implement a PMS that will enable it to measure performance, to drive improvement and translate its vision and strategies into action.

The project plan for the implementation of performance management will be finalised in due course and the intention is to complete the process by the end of October 2009.

The IDP process and the PMS process should therefore be integrated seamlessly as the IDP fulfils the planning stage of the performance management and the performance management in turn, fulfils the implementation, monitoring and evaluation of the IDP, SDBIP and Budget of the municipality.

3.3 Socio-Economic Development

The Sub-Directorate is divided into the following sections:

- Local Economic Development.
- Youth Development.
- Ward Committees.

3.3.1 Local Economic Development

The Local Economic Development (LED) unit is responsible for stimulating local economic Development and job creation.

The following projects have been embarked upon during the year:

- The Municipality's LED strategic plan was approved in April 2008. The process to draft the policy was facilitated by a contracted service provider.
- Council also approved an Economic Charter and a draft Strategy Implementation Plan has been formulated. An LED Steering Committee that will be the watchdog of the economic process has been established through a democratic process.
- The Steering Committee consists of 33 members (18 representing the private sector, NGO's and the broad community; 9 members representing the different Governmental Institutions and 4 members representing the major financial institutions and two educational institutions). The Sectoral Sub-Committee of the Steering Committee meets once per month and the full Steering Committee meets once quarterly.
- An amount of R700 000 was allocated to the RED Door Business Advice Centre in 2007/2008, compared to R150 000 in 2006/2007. This allocation is made in terms of an agreement between the Municipality, the Western Cape Department of Economic Development and Casidra (Pty) Ltd. The Centre renders business support services to small, medium and micro enterprises (SMME's) in the Mossel Bay municipal district.

3.3.2 Youth Development

The executive management workshopped a draft Youth Policy for the Municipality in February 2008 and valuable inputs were received. The Policy is scheduled for tabling in Council in March 2009.

A driver's licence project was launched in conjunction with the Eden District Municipality in September 2007. Twenty youths from the Mossel Bay municipal area benefited from this project. The Municipality assisted with advertising as well as the selection and transport of the candidates.

The Municipality's Youth Co-ordinator, in conjunction with the RED Door Business Advice Centre as well as other NGO's, hosted a Youth Day event in June 2008. This included a Business Expo for the youth.

3.3.3 Ward Committees

Ward Committees were established successfully in 10 of the 12 Wards in Council.

Committees could, however, not be established in Wards 5 and 11 because of a lack of support from ratepayers associations active in these two wards. They appear to regard the Committees as a threat to their continued existence.

Valuable inputs to the IDP and the Municipality's budget emanated from the Ward Committee meetings.

Councillors and Ward Committee members also underwent training in the implementation of the Ward Committee system. The training was presented by the Nelson Mandela Metropolitan University, and funded by the Hans Seidel Foundation.

The Western Cape Government is also in the process of rolling out a training programme for Ward Committees in 2008/2009.

3.4 Legal Services

3.4.1 Overview

As a tier of Government, the Municipality of Mossel Bay faces many and various challenges and issues. In this regard and to ensure that the Municipality functions effectively a legal services department is essential.

Four posts in the Sub-Directorate were filled to minimise the risk factor and to enhance service delivery. The department aims to render an effective and efficient legal service, which includes legal advice, administration, litigation, drafting of by-laws and contracts, to ensure that the Municipality's best interests are served.

3.4.2 Responsibility of Legal Services

The Sub-Directorate: Legal Services, is responsible for the rendering of legal services, which includes legal advice to Council, the Municipal Manager and Directors. This also entails the following:

- 3.4.2.1 Responsibility for legal administration and to advise on actions and the implication and implementation of decisions and conditions.
- 3.4.2.2 Liaising with Council, Municipal Manager, Directors, Attorneys and Advocates regarding possible litigation by or against the Municipality.
- 3.4.2.3 Responsibility for legal scrutiny and comments on drafting and finalising of third-party contracts, agreements, consents and authorisations.
- 3.4.2.3 Drafting of by-laws and the interpretation of legislation as and when required.
- 3.4.2.4 Receiving, and attending to, written legal enquiries and/or complaints from the public, Councillors and officials.
- 3.4.2.5 Following up on decisions, resolutions and attending to the implementation and compliance thereof.
- 3.4.2.6 Overseeing the lease and alienation of property and related administrative arrangements and duties.

3.4.3 Administrative Workload

The following is an indication of the administrative workload during the 2007/2008 financial year:

TYPE	2005/2006	2006/2007	2007/2008
Telephone calls received and made	n.a.	325	6 677
Correspondence received and sent out	3 526	4 522	5 204
Contracts, memoranda, items and building irregularities	1 079	2 247	3 812

The increase in the abovementioned is a result of the added load placed on the Legal Services Sub-Directorate in executing its tasks to run a successful legal environment and to minimise the risk to the Municipality as a whole.

3.4.4 Composition of Legal Services

The Sub-Directorate comprises of the following posts, namely Head: Legal Services, two legal advisors, one senior administrative officer, one administrative officer, one senior clerk and one legal consultant. The following positions have been filled:

- | | |
|------------------------------|--------------------------------|
| • Head: Legal Services | Appointed on 1 December 2007. |
| • One Legal Advisor | Appointed on 1 September 2008. |
| • One Legal Advisor | Vacant. |
| • One Administrative Officer | Appointed on 08 October 2007. |
| • One Senior Clerk | Appointed on 12 November 2007. |
| • One Legal Consultant | Appointed on a contract basis. |

It has been necessary to appoint additional staff because of the expansion of the Municipality. It is also necessary to ensure that the Municipality meets its requirements and minimises the legal risks associated with the Municipality. A further objective is to bring about more effective and efficient service delivery, not only to the community but within the structures of the Municipality as well.

The present Municipality was established in December 2000 through the amalgamation of the old Mossel Bay Municipality and the Great Brak River and Herbertsdale municipalities.

Some cases from the previous dispensation have not been finalised yet, for example the Boathouse restaurant case and the De Dekke complex in Great Brak River, that had rezoning problems. A new environmental impact study had to be done with consolidation and new sub-divisions and rezoning. The abovementioned two matters are now being finalised and the parties are in settlement discussions in order to conclude these issues.

Some of the old by-laws had to be aligned with requirements of the Constitution of the country, while there is also an ongoing need for new by-laws. Areas that were identified for new by-laws are, for example, the regulation of firecrackers, storm water control, the regulation of outdoor advertising and community fire safety.

The by-law regulating nuisance in municipal areas is also being reviewed while a by-law on air pollution is under consideration.

The review, amendment and drafting of new by-laws are receiving priority attention. Seventeen draft by-laws have been prepared and will be work shopped before they are submitted to Council for approval. After they had been approved by Council they will be published in the Provincial Gazette and become official.

The contract management system is in place and contracts are managed with reminders of expiring dates, escalations and compliance to contractual liabilities/obligations.

The delegation system required in terms of the Municipal Systems Act has been put in place and accepted by Council. The system will enable better and more efficient service delivery, not only to the community but also to the Municipality as a whole.

3.5 Library Service

The ten libraries, including one mobile library, in the Mossel Bay municipal area are responsible for the informational, educational and recreational needs of the various communities.

Learners from all the Mossel Bay schools use the libraries extensively because of the new approach towards outcome-based education. Information is kept up to date by keeping a pamphlet collection. The pamphlet collection consists of newspaper and magazine articles.

3.5.1 Circulation of Library Material

Library material was circulated as follows:

	<i>2007/2008</i>	<i>2006/2007</i>
Books	645 864	413 078
Periodical	17 451	16 574
Cassettes and CD's	2 849	3 538
Videos and DVD's	2 452	3 043

There was a substantial increase in book circulation this year. Books are getting very expensive and as people are no longer able to buy as many books as they could in the past they borrow books from libraries instead.

One of the duties of learners at school is to have a reading list. They must read a certain amount of books every year, and they therefore come to the library to borrow books for their reading lists.

Library staff tries to create a pleasant atmosphere in the libraries and to make people feel welcome.

The staff in the sections for children encourages children to read by reading stories to them, presenting reading competitions and issuing reading certificates to children who read a lot.

3.5.2 Stock Maintenance

Library staff maintains all stock on a continuous basis to ensure that material is in a neat condition for users. The Provincial Library Service supplies plastic covers for the regular replacement of worn-out covers. The wear and tear on library material is high because of high usage.

Library stock is supplemented regularly with new books that are received from the Provincial Library Service. Donations are also received from the public.

The stock levels at the various libraries over the past three financial years were as follows:

Library	2008/2007	2007/2006	2006/2005
Brandwag	1 903	1 935	1 919
Buisplaas	466	374	379
D'Almeida	12 711	12 374	12 790
Ellen van Rensburg	17 717	17 725	17 010
Friemersheim	3 735	3b 149	2 850
Greenhaven	7 044	6 725	6 939
Hartenbos	23 007	22 505	22 446
Herbertsdale	4 160	4 171	3 940
KwaNonqaba	11 125	10 960	11 110
Mossel Bay	40 888	39 925	39 185
Ruiterbos (Mobile)	960	935	839
TOTAL STOCK	123 716	120 778	119 407

Six hundred books were lost during the financial year. This is 0, 48% of the total stock. Staff try on a continuous basis to curb losses. Reminders are sent to borrowers when their books are late. People are also reminded by phone.

March and November of every year are made fine-free months to encourage patrons to return their overdue books without being penalised.

3.5.3 Community Work

Community tasks include visits to schools as well as to homes for the aged.

As it is difficult for the aged to visit libraries, books are taken to them on a weekly basis.

Story hours are presented to schoolchildren and learners are taught how to use a library. Staff also communicate with the teachers to find out about forthcoming school projects so that the required information can be made ready in time.

Music evenings are organised by the Ellen van Rensburg Library. This is to get the community involved in other aspects of the library as well. The bigger libraries in the Mossel Bay area have good music collections.

Some of the libraries are actively involved with book reading groups, and books as well as reviews are circulated amongst the reading groups.

The Mossel Bay Library has a Library Business Corner. The purpose of the Business Corner is to provide the community with business-related books, newspapers, journals, periodical, brochures pamphlets and clippings. The facility makes it easier and more inviting for business people to find useful material.

3.5.4 Membership

At the end of June 2008 the eleven libraries in the Mossel Bay Municipal district had a total membership of 23 906. The estimate population of the greater Mossel Bay area is 99 682. That means that 24 per cent of the population are members of the library

The membership at the various libraries is shown below:

Library	2008/2007
Brandwag	167
Buisplaas	24
D'Almeida	2 944
Ellen van Rensburg	2 291
Friemersheim	470
Greenhaven	688
Hartenbos	3 710
Herbertsdale	609
KwaNonqaba	2 515
Mossel Bay	12 943
Ruiterbos	67
TOTAL MEMBERS	23 906

3.5.6 Personnel

The eleven libraries employed 30 people in the year under review. Three of the 30 people were paid from the conditional grants received from the Provincial Library Service.

3.5.7 Total Operating Costs

Total operating costs for the year under review amounted to R3 090 489. This was R193 925 more than the previous year's operating costs.

3.6. Support Services

3.6.1 Introduction

The Support Services Sub-Directorate is comprised of 36 posts. It renders a secretarial service to Council and support services to the organisation as whole. The division is sub-divided into the following sections and is managed by the Head: Support Services:

- Secretariat.
- Typing.
- Archives.
- Switchboard.
- Cleaning and Gardening.

3.6.2 Secretariat

The Secretariat is supervised by a Senior Administrative Officer. During the period under review, secretarial services were rendered in respect of:

	2004/5	2005/6	2006/07	2007/08
Special Council Meetings	6	8	10	12
Ordinary Council Meetings	4	4	4	4
Standing Committee Meetings	40	40	40	40
Number of recommendations made to the Executive Mayoral Committee by respective Committees:				
• Technical Services Committee	321	265	218	233
• Community Services Committee	98	123	117	104
• Financial Services Committee	266	265	218	233
• Corporate Services Committee	137	97	78	83
TOTAL	822	687	632	583

3.6.3 Executive Mayoral Decisions

Over and above the abovementioned, the following are statistics for Executive Mayoral decisions:

2004/2005	2005/2006	2006/2007	2007/2008
154	170	75	76

3.6.4 Photocopies

The statistics in respect of photocopies made for meetings of Council and Committees of Council are:

2004/2005	2005/2006	2006/2007	2007/2008
1 684 661	2 014 377	1 801 476	2 061 572

3.6.5 Administrative Services

As mentioned above, the Sub-Directorate: Support Services is also responsible for providing overall administration services to the Municipality. In this regard, it renders the following services:

3.6.5.1 Typing

A typing pool manned by three typists does the typing of all minutes of Council and committees of Council.

3.6.5.2 Archives

The Collaborator system, the archive management system for a proper document and workflow, is now functioning well. A reporting system to help with the management of the system was also introduced.

During the past year, the following new systems were added to the Collaborator system and are in the process of being implemented:

- Personnel Appointments.
- Personnel Transfers.
- Employment Termination.
- Leave Management.
- Burial Management.
- Booking System for Town Hall, Library Halls and Sports Facilities.
- Booking Resorts.
- Customer Care.
- Supply Chain Management.

The Municipality has a contract with the Eden District Municipality for a support function for the Collaborator systems. The District Municipality makes use of the company Business Engineering for this purpose, and the following services are rendered:

- User Training.
- Ad-hoc Support.
- Pro-active Support.
- Business Process Changes.

The statistics in the above regard are as follows:

Support Activities	2007/2008
User Training	199
Ad-hoc Support	322
Pro-active Support	257
Business Process	39
TOTAL	817

The following correspondence was handled by the Archive Section:

	2005/06	2006/07	2007/08
Post/Mail/Fax	14 267	17 220	15 979
Outgoing Correspondence	6 165	6 491	5 268
Internal Memorandums	1 058	1 110	2 498
Public Service Requests (Electronically)	971*	309	174
Receive Notifications		767**	

* 9 months; ** ±7 months.

7.3 Switchboard

The section renders switchboard services to the organisation during office hours. Statistics of calls received or made are as follows:

2004/2005	2005/2006	2006/2007	2007/2008
562 530	764 428	1 090 734	1 059 954

4. Electrotechnical Services

DIRECTOR: S NAIDOO

4.1 Overview

The Electrotechnical Services Directorate is responsible for the effective, efficient and safe distribution of electricity in accordance with the requirements of the Electricity Regulation Act, Act 4/2006, and the Occupational Health and Safety Act, Act 85/1993.

The bulk electricity supplies are purchased directly from Eskom at five intake points at voltages of 66kV and 11kV and is distributed to approximately 29 583 customers, representing an accumulative maximum demand of 65MVA.

The rapid load growth in electricity consumption within the commercial and the residential sectors indicates that electricity has once again played a significant role towards economic and social development in Mossel Bay.

The recent Eskom blackouts have, however, highlighted the need for utilities to invest more on bulk infrastructure upgrading and replacement/refurbishment of ageing networks to ensure full compliance with NRS 047 and 048 standards as stipulated by NERSA. This Directorate has already embarked on several capital programmes to upgrade under-rated sections of the electrical networks systematically and in this regard, we are pleased to report that over 95 per cent of capital projects were completed during the 2007/8 financial year.

This Directorate has also made significant progress towards the implementation of energy saving measures for lighting and installation of efficient metering equipment to reduce technical and non-technical losses. These initiatives have no doubt collectively contributed towards the alleviation of the current energy shortages and minimising load shedding in the Western Cape.

4.1.1 Overall Goal and Objectives

The overall goal and objectives of the Directorate are as follows:

- To manage electrical assets optimally in terms of performance, risks and expenditure by establishing and maintaining sound asset management/maintenance practises during the full life cycle of the asset.
- To reduce technical and non-technical losses by ensuring that overloaded equipment are replaced timeously and regular audits are undertaken on meters to replace or rectify faulty or bypassed meters.
- To implement demand side management measures and energy efficient lighting to reduce energy consumption during peak periods.
- To implement renewable energy technologies to meet the requirements of the white paper on the renewable energy policy (Notice 513/2008).
- To train and motivate personnel to ensure high standards of workmanship and that safety procedures are strictly adhered to at all times.

- To implement master plans systematically to ensure that sufficient capacity is available at all substations for new developments.

4.1.2 Highlights

The highlights during the 2007/2008 financial year were as follows:

- Altogether 1 163 new customers were connected with electricity, increasing the customer base to 29 583 customers.
- A total of 349 streetlights were replaced and 101 additional streetlights were installed throughout the municipal area.
- A total of 3 084 planned maintenance tasks on electrical equipment were carried out to prevent deterioration of assets and to ensure continuity of supply.
- An automatic meter reading (AMR) system was implemented for approximately 180 bulk customers. This system of metering offers extreme accuracy, reliability, remote measurement and control of the customers' electricity consumption.
- Six kilometres of dilapidated 11kV overhead lines were completely reconstructed or replaced in several parts of the Great Brak River area.
- Outdated or obsolete medium voltage switchgears were replaced at Hartenbos, Da Nova and Voorbrug.
- Several new mini-substations were added to the medium voltage network representing an additional capacity of 4 805 kVA for new developments.
- A total of 35 capital projects were successfully completed in all areas, which involved the upgrading of the medium voltage, and low voltage networks to cater for load growth and to improve the quality of supplies to various customers.

4.1.3 Critical Challenges and Priorities for 2008/2009

The critical development challenges and priorities for the Directorate are as follows:

- To improve service delivery in accordance with the NRS 047 and NRS 048 as stipulated by the National Electricity Regulator of South Africa (NERSA) and to comply fully with the requirements of the Electricity Regulation Act, Act 4 of 2006.
- To ensure that every household has access to electricity.
- To ensure that sufficient capacity exist at all major substations to cater for the rapid load growth.
- To train and motivate personal to ensure high standards of workmanship and staff constantly adhere to safety requirements.

- To improve the level of lighting along all major roads and public open spaces.
- To promote energy efficiency programmes to prevent the wastage of electricity.

4.1.4 Functional Delivery Reports

The tables below show the functional delivery reports of this Sub-Directorate:

4.1.4.1 Capital and Operating Costs

CAPITAL	2004/2005	2005/2006	2006/2007	2007/2008
Internal	2 404 047	R5 515 000	R9 201 432	R6 579 423
Ad Hoc	2 545 668	R4 183 000	R3 761 501	R2 126 059
OPERATING TOTAL				
Expenses	R69 725 223	R67 155 000	R75 711 000	R100 138 716
Income	R92 479 971	R104 248 000	R119 504 000	R136 978 616

4.1.4.2 Employment of Human Resources

	2005/2006		2006/2007		2007/2008	
DISCIPLINE	No	Cost (R)	No	Cost (R)	No	Cost (R)
Consulting Engineers	2	36 000	2	50 000	2	R84 000
Office Personnel	3	1 096 447	4	1 233 820	4	R1 747 459
Field Staff	54	5 440 202	4	5 787 654	64	R7 116 002
Temporary Personnel	-	-	-	-		-
Contract Personnel	3	110 000	3	2 717 238		-

4.1.4.3 Consumers and Power Consumption

	2006/2007		2007/2008	
Type	Units (kWh)	Amount (R)	Units (kWh)	Amount (R)
Household	118 748 517	54 648 137	125 425 895	60 851 480
Commercial	23 217 315	12 072 022	22 581 040	12 036 455
Industrial	98 383 903	35 774 048	119 647 884	39 328 993
Other	22 763 811	8 461 793	5 689 590	7 388 823

4.1.4.4 Total Units Purchased from Eskom

2006/2007	2007/2008	% Increase
296 880 375	303 107 413	2,05%

The total technical and non-technical losses amounted to 9,82%.

4.1.4 .5 Consumers in Municipal Supply Area

SUPPLIER	2005/2006	2006/2007	2007/2008
Municipality	27 163	28 420	29 583
Eskom	471	480	480

4.1.4 .6 New Connections by Mossel Bay Municipality

2006/2007		2007/2008	
1 101	R1 799 995	1 163	R1 779 361

4.1.4.7 Free Basic Supply

	2005/2006	2006/2007	2007/2008
Units	5 739 800	5 739 800	7 049 017
Cost	R2 514 032	R2 514 032	R3 050 567

4.1.4.8 Restoration of Supply after a Force Interruption in Accordance with NRS 048.

Month	No of forced interruptions after which supply is restored	Restored within 1,5 hours		Restored within 3,5 hours		Restored within 7,5 hours	
		Actual	%	Actual	%	Actual	%
July	292	270	92,5	283	96,9	288	98,6
August	223	184	82,5	192	86,1	206	92,4
September	205	172	83,9	197	96,1	202	98,5
October	261	218	83,5	236	90,4	248	95,0

November	294	276	93,8	279	94,9	287	97,6
December	201	183	91,0	188	93,5	191	95,0
January	266	233	87,6	254	95,5	261	98,1
February	204	175	85,8	190	93,1	199	97,5
March	232	214	92,2	222	95,7	229	98,7
April	201	190	94,5	197	98,0	199	99,0
May	242	231	95,4	240	99,1	241	99,5
June	198	185	93,4	190	95,9	195	98,5

4.2.4.9 Backlogs

There are approximately 1 600 informal houses in unproclaimed areas that are not electrified. Most of these backlogs will be addressed with the construction of the low-income housing in Joe Slovo, Asazani / Izinyoka and Elangeni.

The table below reflects the backlog situation as at the end of June 2008:

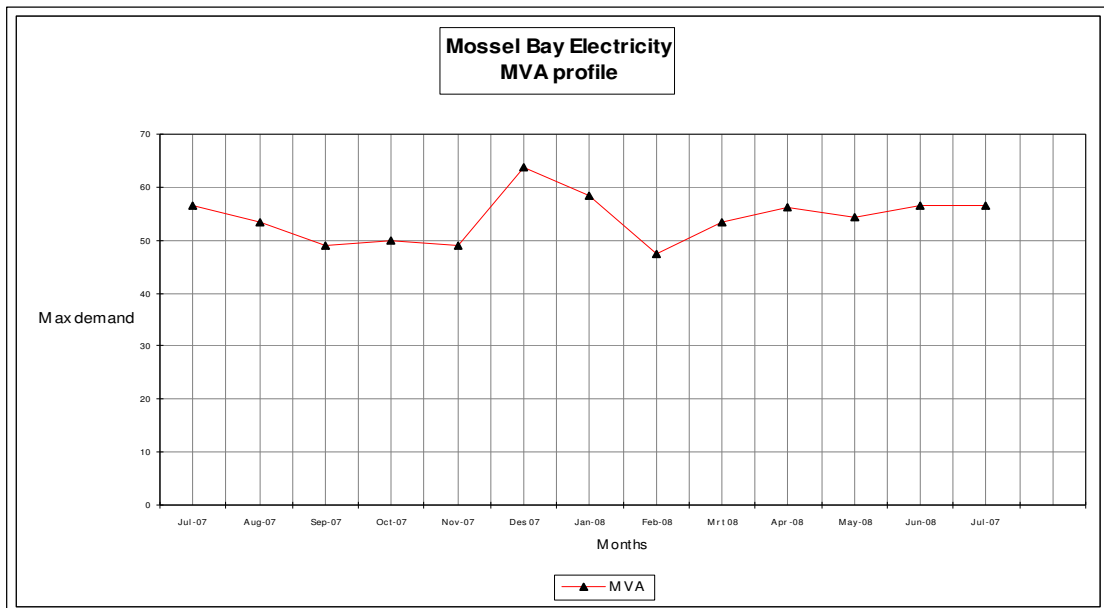
	2006/2007	2007/2008
Households that did not have access to electricity in house	1 800	1 600
Number of houses that gained access	300	-
Percentage of capital budget spent on above	100	-
Percentage of capital budget underspent, plus reasons for under spending.	-	-
MIG funding available	-	-
Names as well as details of areas with backlogs	Wolwedans, Powertown, Joe Slovo, Asazani / Izinyoka, Elangeni	Wolwedans, Powertown, Joe Slovo, Asazani / Izinyoka, Elangeni
- Amount needed to address backlogs	R8 100 000	R8 000 000
Timing when backlogs will be addressed	4-5 years	4-5 years

4.2.5 Load Profile For 2007/2008

Month	kWh	Demand mVA	R'000.
Jul 07	26 29 418	56,445	7 178
Aug 07	25 722 392	53,288	7 039
Sept 07	23 601 161	49,122	3 777
Oct 07	24 753 936	49,977	4 008
Nov 07	24 398 534	48,926	3 940
Des 07	29 021,810	63,573	4 515
Jan 08	25 608 248	58,355	4 515
Feb 08	23 206 700	47,506	3 792
Mar 08	25 400 869	53,294	4 032
Apr 08	24 532 707	56,128	3 996
May 08	25 383 125	54,205	4 117
Jun 08	25 241 272	56,384	6 801
Jul 08	27 058 609	57,49	10 255

4.2.6 MVA Profile

The graph below reflects the Mossel Bay Electricity MVA profile:



5. Financial Services

DIRECTOR: H F BOTHA

5.1 Overview

The Financial Services Directorate manages the corporate financial affairs of the Municipality to ensure that the best possible services are rendered with available funds.

It provides strategic financial management and financial services to internal clients (municipal departments, divisions and functions).

It is responsible for compiling the annual municipal budget and for implementing and maintaining a control system to ensure that accurate information about the Municipality's financial position is available to internal as well as external role players so that they can make informed decisions.

The Director is the Chief Financial Officer of the Municipality in terms of the Municipal Financial Management Act, No 56 of 2003 (MFMA). In this capacity, he is also tasked with overseeing Council's adherence to all aspects of the Municipal Finance Management Act and other related acts at all times.

5.1.1 Strategic Focus Areas

The Financial Services Directorate focused on many new financial management issues in the past financial year. Most of the issues are legal requirements from various Acts and Regulations.

The following key performance areas and indicators were inter alia concentrated on:

- Compilation and approval of the budget, the Integrated Development Plan and the Service Delivery and Budget Implementation Plan. The plans were all completed within the time limits prescribed by the MFMA.
- Council considered and approved two adjustment budgets in the 2007/2008 financial year.
- The Annual Financial Statements of the Municipality were completed before 31 August 2007, which was also within the time limits in terms of the MFMA.
- The new general valuation of properties in the Mossel Bay municipal area was completed by 30 June 2008 for implementation on 1 July 2008. This process started two years previously and was managed very efficiently.

The new Property Rates Act was also implemented together with the implementation of the new general valuation. Much additional work and preparations had to be done on the implementation of this Act, including the separate valuation of all sectional title units for the first time.

All objects to the valuation of properties were solved. Consensus was also reached on all objections that were referred to the appeal board.

- Good progress was made with the implementation of Generally Accepted Management Accounting (GAMAP) and the Generally Recognised Accounting Principles (GRAP) over the past financial year. This is also reflected in the Accounting Policy (Note 1 to the Annual Financial Statements).
- Contractors were appointed to ensure that the Municipality adheres to the GAMAP/GRAP requirements with regard to the certification and evaluation of all assets of the Municipality.

These include infrastructural assets as well as the identification and valuation of all land and buildings belonging to the Municipality. This process contributed to a complete and extensive register of all the assets of the Municipality.

- The Expenditure Section performed very well as all creditors were paid within 30 days over the past financial year. The administration of salaries and wages also went very smooth. This section was also involved very much in the successful changeover to our new bankers in this financial year.
- The recovery of outstanding debts over the past financial year again exceeded the 90 per cent level. The Income Section also started with a programme on the identification and writing off of obsolete debts and at the same time revised the debt control policies of Council to make the collection of outstanding debt more effective.
- The Supply Chain Management (SCM) unit also started to take form as new staff was appointed in this section. It is envisaged that the new electronic supply chain management system will be implemented fully in the 2008/2009 financial year.
- The Information Technology Section ran smoothly during this period. Security on all systems was improved by installing improved anti-virus systems and with the implementation of improved back-up systems.

Overall, the day-to-day functions in all the sections of this Directorate ran very effectively and efficiently.

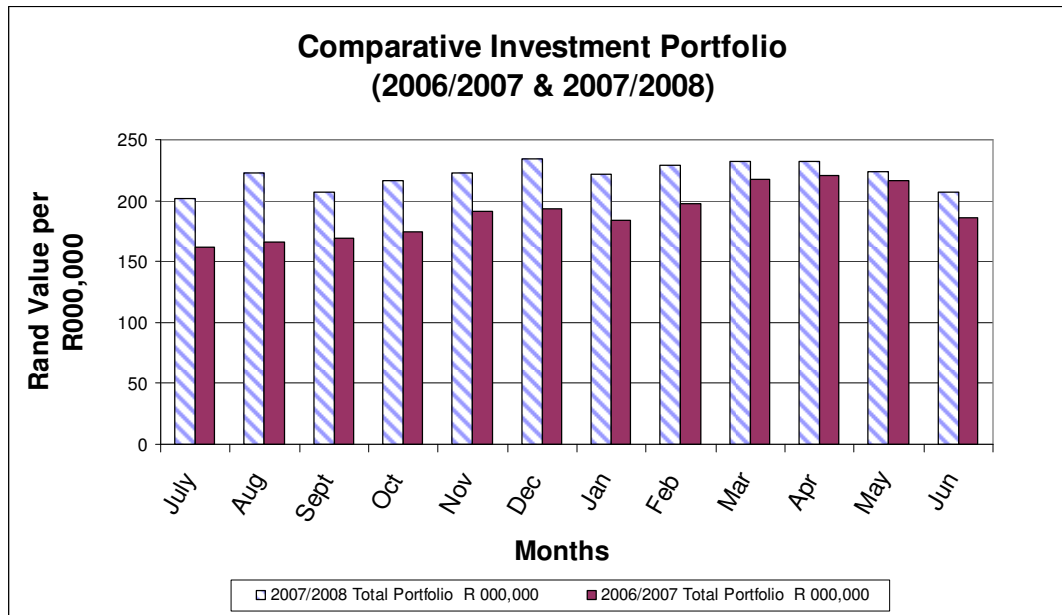
This can be attributed mainly to a very competent staff complement. This aspect specifically contributed to a high standard of service delivery in this Directorate.

5.1.2 Financial Results

The Municipality is financially sound and viable.

It will be noted from the Statement of Financial Position in the Annual Financial Statements for the 2007/2008 financial year that an amount of R203,5 million was available in cash, compared to R185,9 million at the end of the previous financial year.

The following graph shows the investment portfolio over the past two financial years.



These investments were allocated as follows:

• Capital Replacement Reserve	R101,8 million.
• Consumer deposits	R8,2 million.
• Provisions	R3,9 million.
• Unspent conditional grants	R2,9 million.
• Other deposits and advance payments	R18,6 million.
• Non-current Liabilities	R40,6 million.
• Accumulated surplus	R23 million.
• Housing Trust Fund	R4 million.

It was recommended to Council that the amount of Non-Current Liabilities (R40,6 million) need not be invested in cash. This cash amount can therefore be made available as a further contribution to the Capital Replacement Reserve, which would bring the total of this Fund to approximately R142,5 million at 30 June 2008.

As this fund is used to finance capital expenditure, the aforementioned decision will clearly help to improve service delivery.

Spending on the capital budget for the financial year per department is as follows:

• Municipal Manager	80,31 %
• Director Corporate services	70,06 %
• Director Financial services	98,95 %
• Director Community Services	60,91 %
• Director Electro-technical Services	77,67 %
• Director Technical Services	92,45 %
TOTAL	83,2 %

More financial performance results appear in the report of the Chief Financial Officer in the 2007/08 Annual Financial Statements.

Lastly, it can be confirmed that one of the main challenges for the 2007/2008 financial year was the implementation of GAMAP/GRAP. Considerable progress was made in this regard.

An implementation plan was also submitted to National Treasury with regard to the implementation of these GAMAP/GRAP standards over the next year.

5.1.3 Main Challenges

The following are the main challenges facing the Financial Services Directorate in the next three years:

- The continued implementation of the MFMA and the GAMAP/GRAP standards as prescribed.
- Compilation and monthly updating of information to the asset register.
- Filling of vacant posts.
- Implementing new and innovative systems in order to render financial services effectively and efficiently to all stakeholders.
- Improving the collection rates on outstanding debts.
- Fully capacitate the Supply Chain Management Section by filling vacant posts and implementing the necessary systems and policies.
- Replacement of all personal computers in all the Directorates.
- Maintaining the discipline of strict financial and expenditure control to ensure a financially well-managed municipality.

These challenges will be faced head on and with renewed confidence in order to render a service to our community in the way they need and expect.

5.2 Finance

5.2.1 Overview

The main responsibilities of this Sub-Directorate are financial recordkeeping, compilation of the Municipality's Annual Financial Statements, internal and external loans, asset management, cashbook and cash flow, compiling of budget, budget control, internal and external auditing and financial reporting to various stakeholders. It also fulfils the important role of budget and treasury office as prescribed by the Municipal Finance Management Act (MFMA), No 56 of 2003

During the 2007/08 financial year, the Financial Services Sub-Directorate employed three additional staff members. Two senior accountant positions were filled with effect from 1 August 2007. One vacancy for an accountant remains.

5.2.2 Key Performance Indicators

The following are the key performance indicators, with the critical performance criteria, of the Financial Services Sub-Directorate:

- Update asset register.
- Asset survey.
- Compiling of annual financial statements.
- Compiling of draft and final budgets.
- Compiling of adjustment budgets.
- Reporting to National Treasury and Provincial Treasury according to the MFMA and the Division of Revenue Act (DORA).
- SDBIP reporting to Council.
- Insurance claims.
- Internal and external audit reports to Audit Committee.
- Update insurance portfolio.
- Bank reconciliation.

The performance of the Sub-Directorate is measured against the critical performance criteria and the following is a summary of the outcomes and performance per critical performance criteria:

5.2.3 Budgetary Process

The annual budgets (Capital and Operating) were completed and tabled in Council in accordance with the budgetary process plan of the municipality as required by the MFMA.

This was done within the deadlines as prescribed by the applicable legislation. The draft budget was tabled by the Mayor on 18 March 2008 and the final budget was approved by Council on 15 May 2008.

The Municipality had two adjustment budgets during the 2007/08 financial year, tabled in Council in November 2007 and April 2008.

5.2.4 Annual Financial Statements

According to the MFMA, the Annual Financial Statements of the Municipality must be submitted to the Auditor-General within two months after the end of the financial year.

The Annual Financial Statements of Mossel Bay Municipality were submitted to the Auditor-General and the National and Provincial Treasuries, within the prescribed time frame to 31 August 2008.

A major challenge concerning the completion of the Annual Financial Statements, were the implementation of GAMAP and GRAP standards. Mossel Bay Municipality is classified as a high-capacity municipality and started with the implementation of these standards during the 2005/06 financial year. The Municipality must be fully compliant to these standards by June 2009.

In order to move towards the set goal, the following standards were implemented during the 2007/08 financial year, notwithstanding the exemptions granted in terms of General Notice 552 of 2007:

Standard no.	Standard title	Extent of exemption from standard
GAMAP 12	Inventories	<ul style="list-style-type: none"> The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17. The entire standard to the extent that it relates to water stock that was not purchased by the municipality.
IAS 40 (AC 135)	Investment Property	<ul style="list-style-type: none"> The entire standard to the extent that the property is accounted for in terms of GAMAP 17. Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (paragraphs 79(e) (i)-(iii)).
IAS 17 (AC 105)	Leases	<ul style="list-style-type: none"> Recognising operating lease payments/receipts on a straight-line basis if the amounts are recognised based on cash flows in the lease agreement (IAS 17.33-34 and 50 – 51, SAICA Circular 12/06.8-11).
IAS 39 (AC 133)	Financial Instruments: Recognition and measurement	<ul style="list-style-type: none"> Initially measuring financial assets and financial liabilities at fair value. (SAICA Circular 09/06, paragraph 43, AG79, AG64 and AG65 of IAS39 / AC 133).
IAS 11 (AC 109)	Construction contracts	<ul style="list-style-type: none"> Entire standard.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	<ul style="list-style-type: none"> Classification, measurement and disclosure of non-current assets held for sale (paragraphs 6-14, 15-29 (as far as it relates to non-current assets held for sale), 38-42).
IFRS 7 (AC 144)	Financial Instruments: Disclosures	<ul style="list-style-type: none"> Entire standard to be replaced by IAS 32 (AC125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

For further detail on the GAMAP/GRAP standards that still need to be implemented in the following financial years, refer to Note 49 to the Annual Financial Statements, which is also included in this Annual Report.

5.2.5 Bank Reconciliations

The Municipality's bank accounts are reconciled on a daily basis. Monthly reconciliations are tabled in Council and reported to the Provincial Treasury before the 10th of each month.

5.2.6 Annual Asset Surveys

Asset surveys are done twice a year. Surveys were done during the 2007/08 financial year in November 2007 and June 2008. During these surveys, all unmarked inventories and new items were marked, scanned, and reconciled with the asset register. All offices were then supplied with an updated inventory list and the final report will be submitted to Council during September 2008.

5.2.7 Monthly Updating of Asset Register

Processes have been put in place for the monthly updating of the asset register as far as all assets are concerned and reconciliation is done on a monthly basis.

5.2.8 Financial Reporting

Reporting to various stakeholders happens on an ongoing basis. The following are examples of these financial reports, including the performance of the Financial Services Sub-Directorate each regard:

- Service Delivery Budget Implementation Plan (SDBIP):

According to the MFMA, a draft annual SDBIP must be submitted to the Mayor 14 days after the approval of the annual budget and approved 28 days after approval of the annual budget. The SDBIP was submitted and approved within the above time limits.

- In-year Monitoring Report (IYM):

In terms of the MFMA, a monthly budget report must be submitted to the Mayor on the 10th working day of each month. All twelve monthly reports were submitted to the Mayor in accordance with the abovementioned due dates.

- Quarterly, Annual and Ad Hoc reports:

Various other reports are submitted to Council, the Auditor-General, the National and Provincial Treasuries and other Provincial Departments within the applicable due dates as set out per legislation.

5.2.9 Assets

One of the main projects during this financial year was the identification, evaluation and recording of all infrastructure assets as well as land and building assets of Council.

External service providers were appointed to do this project. The implementation of the new asset survey and asset register was a huge task. With many extra hours of work and inputs from the staff of this section, it was possible to finish this task in time for the completion of the Annual Financial Statements on 31 August 2008.

This Municipality was in the forefront with the implementation of a new asset register as prescribed by GAMAP 17. All credit goes to the very competent staff of the Finance Section. Last, but not least, it can also be mentioned that the asset policy, the accounting policy and the investment and cash management policy were also updated and approved by Council.

5.3 Income

5.3.1 Overview

The main responsibilities of this Sub-Directorate are:

- Customer care as well as cash and sundry debtor's management.
- Assessment rates.
- Debt collection and credit control, including prepaid electricity administration.
- Valuations.
- Consolidated accounts (water, electricity and refuse removal).

This section employs a total number of 33 employees. The following are its strategic objectives:

- To align the income department with the IDP objective of encouraging customers to pay their accounts on time.
- To broaden customer participation through proper customer education.
- To reduce outstanding debt.
- To provide a proper customer care service.
- To comply with the relevant legislation and the implementation of various policies.
- To create proper internal cash management and control systems.

5.3.2 Key Performance Indicators

The following were the key performance indicators for 2007/2008 to render an effective and efficient service to the public:

- Timely delivery of correct and user-friendly accounts. An average of 45 000 accounts with a newsletter attached, are posted monthly.
- Ensure that all correspondence and enquiries are answered as soon as possible. Ninety five percent of all correspondence and enquiries are answered within three working days. Only in very rare cases where outside information must be obtained will a query exceed ten days.
- Maintain customer care and front office systems. The front office system is maintained and continuously upgraded to ensure the best possible service and recording of information.
- Percentage of debtor's payments on time. A payment percentage of 96,8% was achieved up to June 2008

- Managing of indigent records. An indigent register is kept and all indigent households are revisited once a year.
- Scrutinise arrear accounts individually to ensure efficiency of debt collections. After readings were taken, pre-lists of all exceptions are printed and the premises are visited to ensure that the readings are correct. Once all the readings and pre-lists are recorded on the system, a final exception report is printed and where necessary, the premises will be visited again to confirm the reading.
- Ensure correct meter readings in respect of water and electricity. After readings were taken, pre-lists of all exceptions are printed and the premises are visited to ensure the readings are correct. Once all the readings and pre-lists are recorded on the system, a final exception report is printed and where necessary the premises will be visited again to confirm the reading.
- Reporting of faulty meters to the engineers. Lists of faulty meters found are sent to the engineers monthly.
- Preparation and finalisation of interim valuations. Two interim valuations as well as the general valuation were done and finalised by 30 June 2008.
- Update of all consolidations and subdivisions of properties. All consolidation and subdivision of properties are updated as soon as the information is received.
- Valuation of every separate title unit. Valuations were received for all sectional title units, notices were sent to the individual owners and accounts were opened for each unit.

5.3.3 Statistical Information

The following statistical information reflects some of the performance results achieved by this Sub-Directorate.

Average Monthly Accounts

	<i>2007/2008</i>	<i>2006/2007</i>	<i>2005/2006</i>
Monthly Accounts	45 000	43 000	38 000

Average Payment Percentage

	<i>2007/2008</i>	<i>2006/2007</i>	<i>2005/2006</i>
Payment Percentages	96,8%	95,4%	95,9%

5.3.4 Irrecoverable Debts

In order to identify irrecoverable debt, an intensive investigation of all arrear debts older than 180 days were started and debt was written off in the following instances:

- Arrear debt of indigent households. Steps were also taken to prevent the debt from accumulating again.
- Irrecoverable debt on insolvent estates.
- Debt on inactive accounts where the debtor could not be traced or the amount was too small to justify further action.
- Where house visits were made and it was found that the owner/occupier did not qualify for a subsidy but had no assets or means to pay the debt.
- Where the debt was due to water leakages.

Because of the time it takes to investigate each case thoroughly, all arrear accounts have not yet been investigated and the programme will continue in the 2008/2009 financial year.

The following table gives a breakdown of debts written-off over the past three years. As can be seen from the table the writing off of debts increased substantially in 2007/2008, mainly due to the abovementioned processes.

5.3.5 Debts Written Off

The following table shows debts that were written off over the past three financial years:

	<i>2007/2008</i>	<i>2006/2007</i>	<i>2005/2006</i>
Water	R6 398 268	R137 139	R2 524 095
Electricity	R396 887	R230 389	R35 289
Refuse Removal	R3 758 661	R10 183	R1 652 932
Sewerage	R6 403 855	R159 148	R2 101 490
Rates	R682 779	R1 309	R154 987
Debt Collection Costs	R227 105	R41 370	
Housing Instalments	R713 231		
Sundry Debtors	R2 617,11		
Total Debts Written Off	R18 583 405	R579 538	R6 468 793

Arrear Debt

The table show arrear debts since 2003:

	<i>June 03</i>	<i>June 04</i>	<i>June 05</i>	<i>June 06</i>	<i>June 07</i>	<i>June 08</i>
Amount	R34 112 629	R36 394 063	R34 754 684	R42 258 715	R47 816 397	R38 613 300

5.3.6 Subsidies

The following two tables give a breakdown of the number and value of subsidies this Council allocated to indigent and poor households in Mossel Bay. The indigent subsidies are paid from the equitable share that Council receives from National Treasury while the subsidy in respect of poor households is paid from the rates and services accounts of other ratepayers of Mossel Bay:

Indigent Households

	<i>2007/2008</i>	<i>2006/2007</i>	<i>2005/2006</i>
Households	6 054	5 176	5 500
Subsidy per household	R261,66	R246,60	R110
Total subsidy per month	R1 584 08,64	R1 276 401,60	R605 000

Poor Households

	<i>2007/2008</i>	<i>2006/2007</i>	<i>2005/2006</i>
Households	1 276	1 258	1 251
Subsidy per household	R180	R150	R130
Total subsidy per month	R229 680	R188 700	R162 630

5.3.7 Pre-paid Electricity

There is a total of 30 178 electricity meters in the Mossel Bay municipal area. Only 7 329 are credit meters for which monthly accounts are sent out.

Eskom supplies electricity via pre-paid meters to Ruiterbos (30 meters), Friemersheim (103) meters, Brandwag (208 meters) Herbertsdale (103 meters) and Buisplaas (1 meter), a total of 445 meters therefore.

The balance of 22 404 pre-paid meters is managed by the Municipality and the following statistics regarding sales, debt collected via pre-paid meters (auxiliary), units sold and new meters installed are based on these meters.

<i>DATE</i>	<i>SALES</i>	<i>DEBT COLLECTED</i>	<i>UNITS (KWH)</i>	<i>NEW METERS</i>
Jul 07	R3 405 230	R393 966	6 262 761	199
Aug 07	R3 369 408	R423 079	6 070 689	105
Sep 07	R3 152 580	R417 775	7 763 561	3

Oct 07	R3 158 833	R417 096	6 346 606	0
Nov 07	R3 129 563	R316 321	5 502 786	0
Dec 07	R3 912 801	R338 012	6 453 705	0
Jan 08	R3 175 116	R470 322	7 194 233	0
Feb 08	R2 821 283	R329 561	7 299 327	186
Mar 08	R3 437 465	R560 955	7 520 238	120
Apr 08	R3 077 332	R483 275	7 893 467	220
May 08	R3 261 912	R509 036	7 789 540	138
Jun 08	R4 338 098	R375 349	7 326 858	220
TOTAL	R40 239 621	R5 034 747	83 423 772	1 191

5.3.8 General Valuation of Properties

The Municipality completed a general valuation of all properties in Mossel Bay. This valuation was done in terms of the new Property Rates Act and implemented with great success on 1 July 2008.

Approximately 1 200 hundred objections and 103 appeals were received and finalised. All the Sectional Title owners received their individual rate accounts and very few queries were received in this regard.

The implementation of the General Valuation and Property Rates Act can therefore be viewed as a success.

5.3.9 Tenders

During 2007/2008, new tenders were requested for:

- Printing of accounts. The process was finalised and the tender awarded to CAB Holdings.
- The appointment of a service provider for debt collection. The tender was awarded to Debtpack.
- An electricity vending and revenue management system. The evaluation and adjudication were not yet finalised by 30 June 2008.

5.3.10 Policies

The following policies were updated and approved by Council during the 2007/2008 financial year:

- Tariff policy.
- Rates policy.

- Customer Care, Indigent, Credit Control and Debt Collection policy.
- Cash Management policy, which is included in the Cash and Investment policy.

5.3.11 Offices

During 2007/2008, all the offices of this Sub-Directorate were painted and fitted with new carpets, new blinds and new air conditioners. Steel cabinets were replaced with new wood-finished cabinets.

The general office was painted and new carpets and air conditioners were installed. All the old furniture was replaced with workstations and wood-finished cabinets.

These changes made a huge difference to the neatness and professional appearance of the Sub-Directorate's offices. It also made a big difference in the motivation and work satisfaction of the personnel.

5.4 Information Technology

5.4.1. Introduction

Although small in numbers this Sub-Directorate is very active and provide a very sophisticated support service to the whole of the Municipality in providing data and Voice Over Internet Protocol services to all offices and satellite offices.

The staff complement consists of the IT Manager, IT Technician, Senior Data Operator, Database Clerk and Data Operator. Services are provided to offices at Montagu Place (Town Planning), George Road (Human Resources and Electricity), the Old Power Station (Supply Chain Management), Point Caravan Park, De Bakke Caravan Park, Hartenbos (Civil Services), Great Brak River, Friemersheim, Herbertsdale, KwaNonqaba, Golden Rendezvous (Traffic), Stores and Fire Brigade as well as personnel who have radio links to their homes.

5.4.2 Functions

This unit manages the following hardware and software:

- Promun Server – AIX with Progress Database. This is the main financial services server.
- Collaborator Server – Microsoft 2003 Server and MSSQL 2005.
- Dell SC440 Server – Geographical Information System, Trend Micro Antivirus, Promun II.
- Dell SC440 Server – Active Directory, Routemaster (Handheld Terminals).
- Dell SC440 Server – Active Directory, Virtual Private Network, Capman.
- IBM Tivoli Server – Windows 2003 Server, Daily Back-up and Disaster Recovery
- IBM Web Server – SuSE Linux.
- Intel Server - Windows 2003 Server with MSSQL and MySQL for new Content Manageable Web Application.

- 4xDell SC440 Server – Active Directory and File Servers at Satellite Offices.
- Medio Server – Running an in-between Oracle Database for data exchange between Promun and IRIS (Prepaid Vending Solution).
- Dell PE R200 Server – Linux Server for the Firewall.
- Dell GX280 – Linux Server for the Proxy Server.
- Dell PE 2900 Server – Linux Server for the Mail Server.
- Dell GX620 – Linux Server for the Mail Archiving.
- Pentium 4 PC – Linux Server for the Print Server.
- Compaq Server – Linux Server for the File Server.
- Dell SC440 Server – Linux Server for Helpdesk and Nagios.

The main function of this unit is to provide continuous support to all users and ensure an uptime of 100 per cent for all the different systems in use by the Municipality.

Although the target is 100 per cent, this is not always achievable. The main prohibitions in achieving this goal are hardware component failure, power disruptions and critical software updates. Notwithstanding these problems an uptime of 98,4 per cent was achieved over the past year. Steps that were taken to improve on this percentage have been very successful, as new generators have been installed at strategic sites.

The IT Manager oversees the whole unit and currently also the financial system Promun. The network operators' main area of responsibility is that of the network and servers. The newly appointed IT Technicians' main area of responsibility is end-user support. The data operators see to the flow of data into the financial system and the daily balancing of all sub-systems to the financial system, ensuring that good financial controls are kept in place at all times.

Since the new Tivoli back-up system was implemented, the size of the backup has grown to 880 Gigabytes. Processes that monitor all network links were also implemented to enable speedy reaction if a service is interrupted. A mail archive system that enables the retrieving of past mail has been also been implemented.

A new website that is content-management based is also being set up. This will enable the Municipality to keep the site alive, vibrant and up to date.

Parties that look after the wireless infrastructure, the GIS, network cabling and the provision of printer peripherals and maintenance have also been contracted.

5.4.3. Performance

The appointment of a Network Operator improved the overall performance of this unit. Specific improvements include the overall uptime of services, speedily resolved hardware and software problems and better overall networking capabilities.

The resignation of the Data Operator has put some strain on the Senior Data Operator. However, a new Data Operator has been appointed and this improved the performance of this section. All fields of expectations and deliverables are met to the best of the unit's abilities and its overall performance is applauded.

5.4.4. Projects

The past year has been quite a busy one as far as projects are concerned. This unit had an approved capital budget of R202 000.

The two major projects were that of implementing Active Directory Servers at all the satellite offices at a cost of R159 000 and also new switches and Uninterruptable Power Supply power at strategic sites at a cost of R43 000.

Some additional storage capacity was added to the new Collaborator server, which is one of the fastest growing databases within the Municipality. More storage space was added to the Promun server and a Redundant Array of Inexpensive Disks was set up for additional security. Active Directory is an ongoing implementation and will be finalised as soon as all the satellite offices have received their file servers.

Mail, spam and antivirus packages have been streamlined. This proved to be very effective in the workplace. The systems audit done by the Auditor-General highlighted a few points, which are in the process of being implemented. One of these is the setting up of various policies for the IT unit by a practicing IT lawyer.

5.4.5. Goals, Aims and Objectives

The unit's ultimate aim and objective is to deliver an uninterrupted service to all system users. It is also now working towards an unqualified systems audit report by implementing various checks and balances and software monitoring tools on the networks and systems. Some policy documents are being set up for various strategic issues.

File servers have been installed at all satellite offices, doubling up as mail and Active Directory servers to decrease the data flow over the radio network.

The speech quality of telephones running on the radio network is however still a concern, which needs to be resolved. October 2008 to December 2008 will be a testing period for the effectiveness of this unit as all the rental-based desktop personal computers need to be shipped back to the rental company and be replaced with new ones.

5.5 Supply Chain Management

5.5.1 Introduction

The Supply Chain Management (SCM) system, as required by law, was implemented at the Municipality just under three years ago.

As it represented a significant departure from previous procurement practices at the Municipality, systems, policies and personnel structures had to be set up from scratch.

The Municipality did not have a procurement department as such and personnel were not readily available to staff the SCM unit. An acting manager was therefore appointed to oversee the implementation of the SCM policy as well as establish the unit until a manager for the Sub-Directorate could be appointed. A manager was appointed with effect from June 2008.

Despite difficulties, particularly with regard to finding suitably skilled and experienced personnel for this relatively new municipal financial management discipline, good progress was made with SCM implementation in the year to 30 June 2008. Details are provided below.

5.5.2 SCM Policy

The Policy, which is based on the model policy prescribed by the National Treasury, was reviewed in the 2007/2008 financial year. Certain cosmetic changes were made and recommendations by the Municipality's internal auditors were incorporated to improve the performance and contract management aspects of the policy.

It is a requirement that policy reviews have to be submitted to the Provincial Treasury, and this unfortunately resulted in a delay of several months in finalising the review. The revised policy will now be submitted to Council in the new financial year. The Provincial Treasury accepted blame in writing for the delay.

It was also envisaged that the policy would have to be aligned with the requirements of an amended Preferential Procurement Policy Framework Act (PPPFA). The purpose of amending the PPPFA was to align it with the BBBEE Codes of Good Practice. Although the amended PPPFA was supposed to be tabled in Parliament in September 2007, this has not happened yet.

Municipalities were accordingly instructed by the National Treasury to continue applying the current PPPFA prescripts until further notice. These require the use of the 80/20 (transactions less than R500 000 in value) or 90/10 (transactions above R500 000) points systems in the adjudication of bids exceeding R30 000 in value.

5.5.3 Bid Committees

The bid committee system generally functions well although there is room for improvement at the Bid Specification Committee level because not everyone seems to appreciate fully the importance of compiling good specifications. The Bid Evaluation Committees function well, particularly now that SCM personnel are more experienced and are able to contribute to these meetings.

The Bid Adjudication Committee is the only standing bid committee, and the following are the members of the committee:

- | | | |
|-------------------------------------|---|---|
| • Mr H F Botha (Chairperson) | : | Chief Financial Officer. |
| • Mr C B Puren (Deputy Chairperson) | : | Director: Community Services. |
| • Mr D Naidoo | : | Director: Electrical Services. |
| • Mr E Jantjies | : | Director: Corporate Services. |
| • Ms M Jacobs | : | Head: Expenditure. |
| • Mr H C Hill | : | Strategic Support Executive: Office of the Municipal Manager. |
| • Mr G Williams | : | Head : Supply Chain Management (as from June 2008) |

Senior managers acted on a rotating basis as Director: Civil Services and served on the Bid Adjudication Committee during their respective acting periods.

5.5.4. SCM Unit

The full-time personnel, two administrative officers and a SCM clerk, appointed to the SCM Unit in March 2007, progressed well. This contributed substantially to the good overall progress made by the unit in the year under review.

The position of Head: SCM was filled with effect from June 2008, which enabled the Municipality to set the process in motion to consolidate and centralise the total SCM function in one unit. The latter includes the incorporation of the stores function into the unit and implementing the Collaborator SCM system.

However, it should be noted that the incorporation of the stores function might be delayed until the Municipality could appoint an Administrative Officer: Logistics and Assets Disposal. This position has already been advertised three times but a suitable candidate could not be found yet.

The Administrative Officer: Acquisition Management and the SCM Clerk both attended the Supply Chain Management Course for Municipalities presented by the SA Management Development Institute (SAMDI). The aforementioned Administrative Officer also attended SAMDI courses on contract management and bid committees. She and the Acting Head: SCM also attended an SCM course presented by the Development Bank of South Africa in Johannesburg.

5.5.6. Accredited Supplier Database

The Accredited Supplier Database maintained in terms of Section 14 of the Policy grew to 1 090 suppliers during 2007/2008 from 722 at the end of the previous financial year.

The SCM unit continued to address the problem of expired tax clearance certificates by using a monthly reminder system. The suppliers generally respond well to this, ensuring that their registration on the Database remains valid.

Many of the prospective suppliers are registered for unskilled work such as bush clearing, cleaning, etcetera, and a separate database was created for these suppliers. They are, however, included in the abovementioned figures.

5.5.7. Construction Industry Development Board (CIDB) Act, No 38 of 2000.

Although there initially was a shortage of contractors in the Mossel Bay area who are registered with the CIDB and have the required grading, this situation has changed as contractors became aware of the CIDB requirements. There is now a large enough pool of graded contractors in the Southern Cape to draw from.

The National Treasury has notified municipalities that the Auditor-General will in future monitor the adherence to the requirements of the CIDB strictly, and that failure to comply will result in qualified audits.

5.5.8. Broad-Based Black Economic Empowerment

As mentioned above, the alignment of the Preferential Procurement Policy Framework Act with the Broad-Based Black Economic Empowerment Codes of Good Practice has still not happened yet. Although due on 1 January 2008, the registration mechanism for BBBEE verification agencies was also not put in place by the Department of Trade and Industry. Government has not yet indicated when the amended PPPFA is expected to be tabled or the registration of verification agencies will commence.

As reported in 2006/2007 the new legislation is expected to have a major impact on assessing BEE compliance in the evaluation of bids. The certification system is also expected to reduce abuses such as fronting and make the Municipality's work to establish the BEE status of suppliers much easier.

5.5.9. Tender Awards

Thirty-three tenders, thirteen less than the previous year, were finalised during the 2007/2008 financial year

Two of the tenders, namely Tender 58/2007 for the sale and development of Erf 19616, KwaNonqaba, and Tender 3/2008 for the lease of the restaurant building at De Bakke beach, were income-generating tenders while the rest were expenditure tenders.

Tender 58/2007 also represented the first sale of land by tender since the implementation of the SCM system in 2005. The tender price of R11 628 000 for the property far exceeded expectations. The only other valid bid amounted to R750 000. A bid for R4,5 million was unsuccessful, as it was substantially non-responsive to the bid conditions.

Tender 9/2008 for the supply and installation of screenings for the Voorbaai pump station was cancelled following an appeal by one of the unsuccessful suppliers. It appeared that the winning bidder had made a fundamental error in his bid. As a result the tender will in terms of CIDB requirements be reissued after six months after the bid award date.

An objection was also received against the award of Tender 14/2008 for the management of the Municipality's short-term insurance policy. The appellant's tender was disqualified because he failed to meet the explicit tender condition of initialling all the pages of the tender document. He based his appeal in this regard on a recent Court verdict that non-compliance with this tender condition is not a reasonable ground for disqualification. The Municipality's legal adviser concurred with this viewpoint. Further legal opinion on the matter is awaited.

Based on the number of reported cases country wide, it is clear that more and more bidders are beginning to exercise their right of appeal in terms Section 46 of the SCM Regulations. This will add a further onus on SCM practitioners as well as other personnel involved in the SCM processes to ensure that product or service specifications receive detailed attention and that special care is taken during the evaluation of bids.

5.5.10 Conclusion

Good progress was made with SCM implementation in the year under review, although the objectives of consolidating the SCM unit, centralising procurement activities and implementing the Collaborator system could not be achieved because of the difficulties in finding suitable candidates for the positions of Head: SCM and administrative officer: logistics and assets disposal.

However, it is foreseen that these problems will be solved in the new financial year.

5.6 Expenditure

5.6.1 Overview

The main responsibilities of this Sub-Directorate are the administration of salaries and wages, together with creditor payments and stores, expenditure control and related budgetary functions. It is managed by the Head: Expenditure and employs 16 people. There were two vacancies, namely for a Salary Clerk and a Creditor's Clerk.

All payments were done by the due dates and all creditors were paid within 30 days during the year under review. It is therefore a pleasure to report that there were no audit queries in this regard.

Payments to creditors increased by 22,8 per cent to R432 312 800 in 2007/2008 from R351 937 281 in the previous financial year. The table below reflects payments to creditors over the past three years:

	2007/2008	2006/2007	2005/2006
Payments	R432 312 800	R351 937 281	R285 710 228

The value of stock in the stores at the end of the 2007/2008 financial year increased to R5 298 679 from R2 978 850 in 2006/2007.

The table below shows year-end stock values over the past three financial years:

	2007/2008	2006/2007	2005/2006
Year-end stock values	R5 298 679	2 978 850	2 358 728

The increase of 77,9 per cent in the value of stock in the stores from 2006/2007 to 2007/2008 can be attributed mainly to the extraordinary price increases in respect of petrol and diesel, as well as the effect of the exchange rate with regard to the price of copper and copper cabling.

The stores provide a supporting service to all departments as stocks of all materials are kept in the stores.

Salaries paid out by the Sub-Directorate over the past three years were as follows:

	<i>2007/2008</i>	<i>2006/2007</i>	<i>2005/2006</i>
Salary payments	R93 564 782	R83 534 884	R77 729 778

The following gives more detail of the activities in the above sections:

- Wage/Salary Office (5 employees, one vacancy).

Number of salary payments per month : ± 950
Total cost of salaries : R93 564 782 (2007/2008)

- Creditor's Office (5 employees, one vacancy)

Number of creditor's payments per month : 1 500 payments
Total payments to creditors : R432 312 800

- Stores (4 employees)

Total value of stock at year-end : R5 million (2007/2008)

5.6.2 Key Performance Indicators

The following are some of the key issues and performance indicators of this Sub-Directorate:

- Stock-take

Monthly stock-takes are done and few or no discrepancies are generally found.

The annual stock take on 30 June 2008 was conducted by external auditors with very good results and positive reports regarding the control and neatness of the stores.

- Creditors

Although Council has approximately 1 500 creditors, all payments were done within the 30-days payment period. This meant that no one was paid late. This can be attributed to the staff's loyalty and dedication to their work.

- Salaries

Council has approximately 950 salaried personnel and all payments must be effected before the 25th of each month. Only four staff members handle this workload, which also confirms their dedication to their work.

- Third-party payments

As stated above, all third-party payments are always on time. Third-party payments are also made in respect of the following:

- Medical Aid Schemes.

- Pension and Retirement Funds
- Group Insurance.
- PAYE.
- UIF.

- Correspondence

This section also handles approximately 892 correspondence items. The average number of days to handle this, is 6,78.

- Vote virements

The Directorates do vote virements on a continuous basis and votes have to reflect correct balances at all times. These virements have to be processed on the same day as they are received in the creditors section.

- Bank

During the period under review, the Municipality changed its bankers from ABSA to Nedbank.

This operation proceeded smoothly and no real problems were experienced. It was achieved by good planning and co-operation between personnel of the bank as well as municipal staff.

The Stores Section is due to be transferred to the SCM unit in the 2008/2009 financial year.

The offices of the Creditors Section were upgraded. It created better working circumstances and an overall better environment, which in turn resulted in motivated and content personnel.

In conclusion, I am proud to report that the personnel in this Sub-Directorate have excelled in the fulfilment of their duties during the past year. They are truly responsible and dedicated and discharge their duties in a most reliable fashion.

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